NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

CIS

Congressional Information Service,
Washington, D.C.

S. HRG. 100–786 PT. 3

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1989

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

H.R. 4781

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1989, AND FOR OTHER PURPOSES

PART 3 (Pages 1–459)

FISCAL YEAR 1989 BUDGET WRAP-UP
NONDEPARTMENTAL WITNESSES
STRATEGIC DEFENSE INITIATIVE
U.S. DEFENSE POSTURE IN PACIFIC RIM NATIONS

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
85-110 WASHINGTON : 1988

S181-4

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

COMMITTEE ON APPROPRIATIONS

JOHN C. STENNIS, Mississippi, *Chairman*

ROBERT C. BYRD, West Virginia
WILLIAM PROXMIRE, Wisconsin
DANIEL K. INOUYE, Hawaii
ERNEST F. HOLLINGS, South Carolina
LAWTON CHILES, Florida
J. BENNETT JOHNSTON, Louisiana
QUENTIN N. BURDICK, North Dakota
PATRICK J. LEAHY, Vermont
JIM SASSER, Tennessee
DENNIS DECONCINI, Arizona
DALE BUMPERS, Arkansas
FRANK R. LAUTENBERG, New Jersey
TOM HARKIN, Iowa
BARBARA A. MIKULSKI, Maryland
HARRY REID, Nevada

MARK O. HATFIELD, Oregon
TED STEVENS, Alaska
LOWELL P. WEICKER, JR., Connecticut
JAMES A. MCCLURE, Idaho
JAKE GARN, Utah
THAD COCHRAN, Mississippi
ROBERT W. KASTEN, JR., Wisconsin
ALFONSE M. D'AMATO, New York
WARREN RUDMAN, New Hampshire
ARLEN SPECTER, Pennsylvania
PETE V. DOMENICI, New Mexico
CHARLES E. GRASSLEY, Iowa
DON NICKLES, Oklahoma

Francis J. Sullivan, *Staff Director*
Mary A. Shields, *Chief Clerk*
J. Keith Kennedy, *Minority Staff Director*

Subcommittee on Defense

JOHN C. STENNIS, Mississippi, *Chairman*

WILLIAM PROXMIRE, Wisconsin
DANIEL K. INOUYE, Hawaii
ERNEST F. HOLLINGS, South Carolina
LAWTON CHILES, Florida
J. BENNETT JOHNSTON, Louisiana
ROBERT C. BYRD, West Virginia
PATRICK J. LEAHY, Vermont
JIM SASSER, Tennessee
DENNIS DECONCINI, Arizona

TED STEVENS, Alaska
LOWELL P. WEICKER, JR., Connecticut
JAKE GARN, Utah
JAMES A. McCLURE, Idaho
ROBERT W. KASTEN, JR., Wisconsin
ALFONSE M. D'AMATO, New York
WARREN RUDMAN, New Hampshire
THAD COCHRAN, Mississippi
MARK O. HATFIELD, Oregon
(Ex Officio)

Staff

Francis J. Sullivan, Edward A. Swoboda, Charles J. Houy, Mary A. Shields, Scott B. Gudes, Steven J. Cortese, Jay Kimmitt, and Peter D. Lennon

Administrative Support

Jane McMullan
Karen M. Cook

Minority Staff

Sean O'Keefe
Penelope S. German

CONTENTS

THURSDAY, APRIL 21, 1988

Page

Nondepartmental witnesses-- 1

TUESDAY, MAY 10, 1988

Secretary of Defense-- 243
Chairman, Joint Chiefs of Staff----------------------------------- 260

TUESDAY, MAY 17, 1988

Nondepartmental witnesses--- 367

THURSDAY, MAY 26, 1988

Assistant Secretary of Defense (International Security Affairs)-- 389
U.S. Forces, Korea-- 402

Department of State:

    Assistant Secretary of State for East Asia------------------ 414

Date	Subject	Witnesses	Volume
March 3	FY 1989 DOD Budget	Hon. William Howard Taft IV Deputy Secretary of Defense	1
March 22	Navy/Marine Overview	H. Lawrence Garrett, III Under Secretary of the Navy	1
		Admiral C.A.H. Trost Chief of Naval Operations	
		Gen. A.M. Gray, Cmdt. U.S. Marine Corps	
March 23	Army Overview	Hon. John O. Marsh Secretary of the Army	1
		Gen. Carl E. Vuono Chief of Staff, Army	
		Maj. Gen. James F. McCall Director, Army Budget Office	
March 24	Nat'l Guard & Reserve Overview	Hon. Stephen M. Duncan Asst. Secy. of Defense for Reserve Affairs	1
		Lt. Gen. Herbert R. Temple, Jr Chief, National Guard Bureau	
		Maj. Gen. William F. Ward Director, Army Reserve	
		Maj. Gen. Donald Burdick Director, Army National Guard	
		Maj. Gen. John B. Conaway Director, Air National Guard	
		Maj Gen. J.W. Moore, USMC Deputy Chief of Staff for Reserve Affairs	
		Maj. Gen. Roger P. Scheer Chief, Air Force Reserve	
		RAdml. F.N. Smith, USNR Director, Naval Reserve	

Date	Subject	Witnesses	Volume
March 29	Force Structure	Hon. William H. Taft IV Deputy Secretary of Defense	2
		Maj. Gen. Wilson Shoffner Asst. Deputy Chief of Staff for Operations & Plans, Force Development & Integration	
		VAdml. Henry Mustin Deputy Chief of Naval Operations for Plans, Policy & Operation	
		Maj. Gen. Carl Mundy, Jr. Deputy Chief of Staff for Plans, Policies & Operations	
		Maj. Gen. Michael G. Dugan Deputy Chief of Staff for Plans & Operations	
March 30	Air Force Overview	Hon. Edward C. Aldridge, Jr Secretary of the Air Force	2
		Gen. Larry D. Welch Chief of Staff, U.S. Air Force	
March 31	SDI	Lt. Gen. James Abrahamson, USAF Director, SDI Organization	2
April 14 (Closed)	Selected Special Access Programs		Not Printed
April 19	Production Rates	Dr. Robert B. Costello Under Secretary of Defense for Acquisition	2
April 21	Outside Witnesses	Dr. Walter Beam Institute of Electrical & Electronics Engineers	3
		Capt. Charles A. Buesner Naval Reserve Association	
		Maj. Gen. Even L. Hultman Reserve Officers Association	
		Lt. Gen. LaVern Weber National Guard Association	
		Mr. Josh Slavitt U.S. Defense Committee	

Date	Subject	Witnesses	Volume
April 21 (Cont'd)	Outside Witnesses	Messrs. Samuel Walsh & James Hubbard American Legion	3
		Dr. James Egan, MD American Psychiatric Association	
		Ms. Syndey Hickey National Military Family Association	
		Mr. William Burmeister Committee of American Ammunition Manufacturers	
		Mr. Kenneth T. Blaylock American Federation of Government Employees	
		Mr. C.A. "Mack" McKinney Non-Commissioned Officers Association	
		Dr. Norris Krone American Institute of Aeronautics & Astronautics	
		Mr. James M. Pierce National Federation of Federal Employees	
		Mr. John T. Hunter Association of Civilian Technicians	
May 10	Defense Budget Wrap-Up	Hon. Frank C. Carlucci Secretary of Defense	3
		Gen Robert T. Herres USAF, Vice Chairman Joint Chiefs of Staff	
May 17	SDI	Dr. Harold Brown Chairman, Johns Hopkins Foreign Policy Institute	3

Date	Subject	Witnesses	Volume
May 26	Pacific Rim Nations	Hon. Richard Armitage Asst. Secy. of Defense for International Security Affairs Gen. Louis Menetry Commander, U.S. Forces, Korea Dr Gaston Sigur Asst. Secy. of State for East Asia	3

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1989

THURSDAY, APRIL 21, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m. in room SD–192, Dirksen Senate Office Building, Hon. John C. Stennis (chairman) presiding.

Present: Senators Stennis, Sasser, DeConcini, and D'Amato.

NONDEPARTMENTAL WITNESSES

OPENING STATEMENT OF CHAIRMAN STENNIS

Chairman STENNIS. The first thing I want to do, ladies and gentlemen, is extend a warm, cordial welcome to all taxpayers that are present here.

Now, while this meeting is partly based on the idea that the taxpayers ought to have a chance to express themselves, it is also helpful to the members.

I like the idea of people having a chance to come before this subcommittee.

We are going to have quite a good attendance here, I assume and hope, by our subcommittee members. The Defense Appropriations Subcommittee will now please come to order.

Of course, if we do have a rollcall vote, we will have to suspend. It will take considerable time to take care of those calls.

I have emphasized already it is a pleasure for me to have the witnesses' testimony, presence, and observations here. This is the annual hearing for all of those who really wish to testify honestly, not just make a complaint. It is a high privilege of citizenship that we enjoy.

I believe that this kind of dialog between private citizens and the Congress is important to our democratic form of government. I can add that the few years that I have been here as a Member of this Senate added emphasis to the belief that these things are essential and should be observed and honored.

So I think those spirits pretty well govern all of us here. The subcommittee is pleased that such a distinguished and wide range of individuals and associations are before us today to share their thoughts and suggestions. We do take, within limits, written observations and testimony that anyone might want to make.

As we do have a time constraint, I ask that you please try to limit yourself to no more than 10 minutes.

If you do require more time, we will permit it, as I said, but we do need to move on. The subcommittee will be happy to accept printed statements of your complete remarks to include in the record as though read.

Without further delay, I would like to welcome our first witness today.

Dr. Beam, is Dr. Beam here?

Come forward, please.

We are glad to have you here, Doctor. You have all the qualifications of an expert witness. When your 10 minutes are up, we will let you know.

INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS, INC.

STATEMENT OF DR. WALTER R. BEAM, CHAIRMAN, DEFENSE RESEARCH AND DEVELOPMENT COMMITTEE, INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS, INC.

R&D PROGRAMS AND POLICIES

Dr. BEAM. I am sure I will stay within my time, sir.

I am pleased to see you again this year. This is my second and probably last term as chairman of the committee I represent. I am Dr. Walter R. Beam. I appear before you today as chairman of the Defense Research and Development Committee of the Institute of Electrical and Electronics Engineers. The IEEE, which I represent, is the world's largest technical professional society with almost 235,000 members in the United States alone.

It is these U.S. members which the committee that I chair speaks for inasmuch as the international members do not always have the same objectives as the United States.

The Defense R&D Committee was formed to develop and express the institute's views on R&D programs and policies of the Department of Defense.

Today I am going to address three areas of interest and concern with respect to the fiscal year 1989 Defense budget for research, development, test and evaluation. The first of these is maintenance of an adequately strong technology base program; second is DOD support for advanced electronic device manufacturing and electronic materials research; and the third is independent research and development known as IR&D.

TECHNOLOGY BASE PROGRAM

First, the technology base which is defined to include research, 6.1; and the exploratory development, 6.2. The proposed budget for these two items is flat. There is a slight increase of 1.7 percent in the research portion and a corresponding decrease of 1.3 percent in the larger exploratory development budget; net, flat.

From 1980 through 1988, funds for technology-based programs have been substantially below traditional levels in terms of the proportion of RDT&E which they represent. RDT&E has been going up; tech based programs have not. That is basically what it amounts to. Technology-based funds in fiscal year 1980 represented nearly twice the proportion of RDT&E which it does in the current budget.

Even including portions of the Strategic Defense Initiative which are characterizable as technology-based like, does not result in parity of the technology base.

We are somewhat concerned—I would say more than somewhat concerned, that the same kind of short term focus which has damaged U.S. industrial competitiveness will have damaging effects on future national security.

ADVANCED ELECTRONIC MATERIALS

My second subject is from one part of the technology base area, and that is the synthesis and processing of advanced electronic materials. Materials for components used in night vision, high-speed digital systems, and microwave sensors are especially important in military applications, though typically commercial applications follow once DOD has succeeded in making the technology possible.

Electronic material markets for both mainline semiconductor materials which are silicon, and the more advanced materials, are now dominated by large foreign suppliers, vertically organized ones at that. Electronic materials do go hand in hand with semiconductor device manufacturing, and we were pleased that DOD budgeted $50 million which was raised to a more generous $100 million by Congress last year for the government's participation in SEMATECH, the semiconductor materials technology consortium, an industrial and governmental consortium which is set up in an attempt to restore the United States as a world class player in the semiconductor manufacturing business.

The fiscal year 1989 DOD budget request is again $50 million for SEMATECH; however, SEMATECH needs funding at the level that it started off with—that is, $100 million—in order not to have a sense of going downhill right from the beginning, and we believe that it will need the larger support for several more years before anyone can claim success.

RELATED ELECTRONIC MATERIAL RESEARCH

On the related electronic material research front, we are pleased that last year the Congress appropriated $25 million for a center at the University of South Florida and $10 million for another at Sandia National Laboratories, New Mexico. This has gotten the objective, which is an important one of IEEE, off the ground. Neither center, however, as currently configured, represents the combined industrial, university and government laboratory involvement, a pattern envisioned by IEEE and which was endorsed by all three of those communities as we developed our proposals.

The initiated activities can take shape, which have been initiated, can take shape as national centers of electronic materials research only if their funding is continued. This may be somewhat in doubt since DARPA, which was designated as and is an appropriate funding agent, is slated for an overall reduction of 10.7 percent.

We are very strongly continued—we have continued interests in these electronic materials centers. The job is not done. And we believe the Congress will find it necessary to again step in and guarantee that these important national objectives receive continued support at the necessary level.

INDEPENDENT RESEARCH AND DEVELOPMENT

My third and last item, independent research and development, is a mechanism through this defense businesses are controlled as to the portion of government-derived revenue which can be billed through general and administrative costs or support of research and development which they initiate. Our committee has studied the IR&D activities over the past year rather intensively. We are convinced, as indeed most of us were before, that IR&D represents an important second pillar of U.S. defense technology competitiveness, that part for which industrial innovators call the shots rather than having all of their advanced effort directed by a contract.

The Congress has appeared to view IR&D as money beyond their own control. Indeed, it probably is, and that is probably a good thing. The cap which was legislated as an intended control mechanism is basically artificial. It is essentially unenforceable by DOD, and it is a hindrance to the companies and to the DOD.

Though we continue to study IR&D in the committee, certain suggestions have thus far emerged from the studies. We believe that long- and short-range IR&D need to be viewed separately so as to ensure adequate funding for long-range IR&D which is the seed corn of the defense industry. We also believe that, as a minimum, the current cap should be relaxed, though we do support its complete removal. It is really not doing a job.

REVIEW PROCESS

The time consuming review and renegotiation cycle should be extended to 2 years, maybe longer. The current annual review is inefficient end use of industrial technologists' time and that of their Government counterparts who monitor the work. The review process in total rather than simply changing it, however, should be reinvestigated with a full eye to minimizing wasted activity. We do not say we have a formula there. It needs to be studied.

Although in some ways we have come to the same general conclusions as defense industry associations which are also very much concerned, our focus has been the longer range IR&D activities, those which correspond to the technology base. These are easily distinguishable from shorter range IR&D and the related and sometimes confusing bid and proposal activities whose presence in the same negotiating package has something to do with the problem.

We invite the Senate's review of our more extensive submitted written material on this topic.

I thank you for the opportunity to make our views known to the committee and would be happy to answer questions or provide clarifications now or later.

[The statement follows:]

IEEE WASHINGTON OFFICE
THE INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS, INC.

Testimony of Dr. Walter Beam, Chairman, IEEE Defense Research and Development Committee

Mr. Chairman, Members of this Subcommittee, my name is Dr. Walter Beam, and I appear before you today as Chairman of the Defense Research and Development Committee of the Institute of Electrical and Electronics Engineers, Inc. The IEEE is the World's largest technical professional society, with nearly 235,000 members in the United States alone. It's Defense Research and Development Committee was formed to develop and voice the Institute's views on the research and development programs and policies of the Department of Defense. In our testimony today I would like to address three areas of concern to the IEEE for consideration by this Subcommittee in its actions on the FY 1989 Defense budget for Research, Development Test and Evaluation (RDT&E): the need to ensure a strong Technology Base program; the need to improve DOD support for Advanced Electronic Device Manufacturing and Materials Research; and recognition of the continuing importance of Independent Research and Development.

DEPARTMENT OF DEFENSE TECHNOLOGY BASE PROGRAMS

The conduct of Research, Development, Test and Evaluation (RTD&E) in the Department of Defense is proposed by the Administration to be funded at $38.157 Billion during Fiscal Year 1989, approximately a 2.4 percent increase over the projected appropriations for FY 1988. Of this amount, Research will be funded at $916 million, increasing approximately 1.7 percent from projected FY 1988 expenditures. The remainder of the Technology Base Program, Exploratory Development, would decrease approximately 1.3 percent from $2.392 Billion in FY 1988 to $2.360 Billion in FY 1989.

Over the period of 1980 through 1988, funds appropriated for the

Technology Base Programs have been substantially below traditional levels as a portion of the total funding for Defense RTD&E. The proposed budget for Fiscal Year 1989 represents a continuation of this trend. Whereas in FY 1980, Technology Base Programs constituted 16.8 percent of total RTD&E funding, in FY 1989, that amount would diminish to approximately 8.6 percent, or slightly more than half. This does not include a funding under Advanced Technology Development for the Strategic Defense Initiative, a significant portion of which is in fact directed toward research in areas such as the SDI Innovative Science and Technology program, the Free Electron laser, and particle beam technology.

In previous testimony before this Subcommittee, the IEEE has voiced its concern over the diminishing portion of total Defense RDT&E devoted to the Technology Base programs, and the potential negative impact of these decreases on our domestic defense electronics technology base. To address this problem, we will now address two areas in which we believe increased support would be in the national interest: Electronic Device Manufacturing and Materials Technology and Defense Department support of Independent Research and Development.

Electronic Device Manufacturing and Materials Technology

Synthesis of advanced electronic materials, and the equipment to process them, require highly sophisticated and expensive research and development personnel and facilities. Due to very specific applications of particular materials and equipment, in meeting either defense mission needs or the currently small but growing commercial demand, the markets for these "niche" materials and equipment are now too small to support the necessary R&D base at each individual company. Foreign suppliers, typified by large, vertically integrated corporations and/or government coordinated R&D, now dominate these markets.

Over the past two years, a great deal of national attention has been devoted to our domestic strength in semiconductor devices. Most notable has been the establishment of SEMATECH, the industrial/government consortium intended to promote the state of the art in manufacturing technology for such devices. We were pleased in 1987 to see the Department of Defense budget $50

Million for this effort, and even more so when the Congress increased its final appropriation to $100 million. We are concerned, however, that the Defense Department request for FY 1989 for SEMATECH has again dropped to $50 Million. If SEMATECH is to be a successful effort, in the sense of being able to establish and meet meaningful technical goals and objectives in a timely manner, there must be a reliable funding commitment from all participating entities, including the federal government, for a more extended period. We urge this Subcommittee, during the upcoming and future Fiscal Years, to recognize the realities of long-term technology development efforts, and provide predictable funding trends in support of the SEMATECH program.

Over the past few years, the IEEE has promoted a related, though less dramatic industrial/university/government research effort to address the lack of domestic sources for advanced compound semiconductor materials used in sophisticated military electronics systems. A program is urgently needed to accelerate the pace of developing these critical technologies and rapidly transfering that technology to the domestic producers of semiconductor materials, devices and manufacturing equipment.

As a prototype, the IEEE recommended the establishment of one center addressing Compound Semiconductor Materials, with Optoelectronics as its thrust. The Laboratory for Optoelectronic Materials, envisioned to last five to seven years, would be supported by private corporate contributions of funding, equipment and personnel, and funding directly from the Defense Department. The Center design has also included university and national laboratory elements. This experiment in innovative R&D management would be a logical function of the Defense Advanced Research Projects Agency. The total cost of the prototype effort is gauged to be about $125 Million. It would be governed by a Steering Board of industrial, government and university participants, and managed as a non-profit institution by a full time staff.

The Laboratory is envisioned to provide a critical mass of funding to overcome significant technology hurdles, and an innovative relationship between the industrial, university and government research communities that would enable broad crossfertilization of research and development output.

It is expected that the consortia of interests would enable pursuit of a longer-term, larger scale research effort than any of the participants could launch on their own, thus enabling a fortification of our domestic technology base.

Last Year, Congress recognized the lack of U.S. competitiveness in the area of Compound Semiconductor Materials in allocating $25 Million for the Center for Advanced Compund Semiconductor Technology and $10 Million for the Center for Compound Semiconductor Technology. These Centers were subsequently established at the University of South Florida and Sandia National Laboratories, respectively.

The IEEE continues to have two concerns reagarding these efforts. First, neither center as currently configured represents the full breadth of industrial, university and government laboratory involvement which is the centerpiece of the original IEEE proposal. In this regard, we would like to see an expansion of these efforts to provide for full involvement by these critical players. IEEE has been in communication with both efforts, and we are confident of their support for our proposal should adequate resources be made available. Second, we are concerned that the DOD budget request for FY 1989 does not include continued funding for these centers. In fact, the budget for DARPA, the funding agent for the programs, is slated to be reduced by 10.7 %. We do not feel that any worthwhile research will result from these efforts without a longer term funding commitment. Nor does it seem reasonable to extract continued support out of DARPA's already strained research base. We therefore urge this Subcommittee to include continued funding for these research efforts, and to do so over and above that which is being requested for DARPA's other research programs.

Independent Research and Development

IEEE believes that the current governmental methodology of handling the funding of IR&D for national security contractors is detrimental to investment in R&D, threatens the future of U.S. leadership of advanced technology, and is in the best interest of neither the government, industry or the Country as a whole. Although IEEE studies of this issue are incomplete, the following suggestions have been derived from studies to date:

- The current review process should view long and short term IR&D seperately to ensure adequate funding for long term IR&D; our "seed corn."
- The current "Cap" on IR&D should be relaxed as a minimum. IEEE supports the full removal of the "Cap."
- The current method of review of IR&D should be changed to, at most, a two year cycle; any "Cap" should be negotiated for a two year period.
- The need for a review process should be reinvestigated with an eye toward minimizing the cost and manpower requirements of any review process to both industry and government.

IR&D, an allowable component of General and Administrative (G&A) costs, accounts for the largest portion of industry-initiated research and technology activities related to national security programs.

Although past Congressional inquiries into the expenditure of these funds had satisfied legislators that these funds were being used appropriately, in the early 1980's Congress began to view IR&D funds as government monies over which they did not have sufficient oversight or control. As a result, 1) a fiscal limit ("Cap") was set on the total IR&D costs that would be allowable expenses for any contractor, and 2) annual reporting and technical review processes were instituted.

For approximately the 100 largest defense contractors, the limit of charges allowable under G&A is based on "advance agreements" negotiated prior to the year in which these charges are to be incured. Also included in the advance agreement are expenses associated with the preparation of bids and proposals (B&P). Although the advance agreements are negotiated annually, the allowable charges are primarily dependent on the originally defined Cap, and only secondarily dependent on either the technical review process or changes in overall government revenues received by any company.

These advance agreements amount to about 2% of government revenues for these companies. Companies not under advance agreements are also limited to about 2% of government revenues for these activities.

IR&D activities have been defined as "technical effort which is not sponsored by, or required in the performance of, a contract or grant and which consists of projects falling within the following three areas: (i) basic and applied research, (ii) development and (iii) system and other concept formulation studies. IR&D effort shall not include technical effort expended in the development and preparation of technical data specifically to support submission of a bid or proposal."

In other words, IR&D activities are those that insure that a company will be able to maintain its' competitiveness in the future, both long and short term. In the commercial world, these activities are funded by passing the costs of IR&D along to the customer as part of the overall cost of any particular product. The amount of funding a commercial company can put into IR&D activities is ultimately driven by the overall price that can be competitively charged for the product. Also within the price are the costs of direct materials, direct labor, a multitude of other direct and indirect costs, and profit.

Given that the price of a product is fixed by the marketplace, the cost equation permits one to increase cost allocations to one area (i.e. IR&D) by decreasing the cost allocation to another area (i.e. indirect labor). As an example, we have heard much over the last few years of increasing America's competitiveness in the world markets by cutting price and increasing quality in the short term, and increasing R&D funding for the long term. Some industries and/or companies have focused their (and our) attention on decreasing the labor content/cost as a way out of funding R&D and quality, as well as decreasing prices. Other industries/companies have focused their attention on other factors in the cost equation. One can only hope that our industries/companies have learned that R&D is the source of their future survival, not the source of funds for their short term competitiveness. Certainly our competitors in other countries have learned that decreasing a variety of costs (including short term profit) in order to enhance funding of R&D has, in the long term, been very profitable indeed!

In the world of doing business with the U.S. Government, the overall price of the product is only one of the many parts of the cost equation that are controlled by the purchaser. Another part that is also separately controlled by the purchaser is IR&D funding. IR&D is investment in the future! If U.S. technological leadership in military systems is to continue into the next century, we must encourage current investment in the R&D that will show up in future systems. This investment must be encouraged both within the government (by means of increased appropriations of 6.1, 6.2 and 6.3a funds), and within the industrial base that supports military systems (by encouraging IR&D investment).

In a sense, however, encouragement of enhanced IR&D funding by industrial contractors is not the problem. The problem is that the government presently Caps the amount contractors can spend on IR&D. This is exacerbated by the fact that Budget and Proposal (B&P) funds are included in the Capped amount. Most contractors recognize the importance of IR&D and are ready to fund these activities at a higher level were they permitted to do so. In truth, in our evermore cost competitive environment, the need for any governmental Cap is mitigated by the need to win contracts. If a company wished to win contracts, their costs must be kept competitive. This system worked well prior to the existance of a Cap. Indeed the presence of a Cap not only limits IR&D expenditures, it eliminates a company's flexibility to save funds in other areas to increase IR&D funding, at no increase in contract cost to the government. That is a management perogative that should not have been excised. Additionally, the Cap increases (decreases) much more slowly for a company than additions (decreases) in overall government funding to that company (i.e. if a company doubles its' business with the government, its' IR&D Cap increases by much less that a factor of two).

The IR&D Cap also forces organizations to split a fixed budget into short and long term R&D activities. In our increasingly competitive environment with attendant increases in both the number and complexity of proposals, and the increasing desire of the government for contractors to share in the costs of large development activities, it is all too easy to use these limited funds to fund first B&P activities and next short term R&D activities. The priority that B&P takes decreases the funds available for R&D; the secondary prioritization of short term R&D is also to the detriment of long term R&D. Isn't long term R&D the seed corn that will determine our future competitiveness?

IEEE believes that the current governmental methodology of handling the funding of IR&D for national security contractors is detrimental to investment in R&D, threatens the future of U.S. leadership of advanced technology, and is in the best interest of neither the government, industry or the Country as a whole. Although IEEE studies of this issue are incomplete, the following suggestions have been derived from studies to date:

1. The current review process should view long and short term IR&D separately to enure adequate funding for long term IR&D, our seed corn. The distribution of funds between long and short term IR&D should be scored as part of the review process.

2. The current Cap on IR&D should be relaxed as a minimum. IEEE supports the full removal of the Cap. In our increasingly competitive environment, more and more contracts are being awarded to the low cost bidder with correspondingly less emphasis on technical innovation as the driver for contract award. IEEE believes this environment tends to self-limit IR&D expenditures for companies that deal with competitive procurements, since high levels of IR&D expenditures will make a company less cost competitive. Although in favor of a complete removal of the Cap, IEEE recognizes that there are difficulties to deal with; including lack of real competition on many procurements. In lieu of complete removal of the Cap, the amount of allowable IR&D should be substantially increased directly related to the size of, and changes to, a company's government business. The current system of using technical review and past history to allow for second order modifications to this basis could be continued, however it should be redefined for added effect.

3. The current method of review of IR&D should be changed to, at most, a two year cycle; any Cap should be negotiated for a two year period. On alternate years, a brochure would be written or a review would be held. The biannual review would be a detailed review of 50% of the contractor's IR&D programs. This would substantially decrease (probably by more than 50%) the amount of contractor (and government) administrative costs that are presently funded out of the negotiated IR&D budget, this increasing the funds availabe for IR&D. Current administrative and negotiation costs are running between 2 and 5% of all IR&D costs. Since R&D is, perforce, the kind of work that cannot be turned on

and off on an annual basis, this two year cycle would also allow better long term planning of IR&D activities. Additionally, a two year cycle would permit a more level effort of contractor and government personnel involved in review/negotiation activities.

4. The need for a review process should be reinvestigated with an eye toward minimizing the cost and manpower of any review process to both industry and government.

Thank you for this opportunity to address the committee on our concerns, and I would be happy to provide you with any additional information on our perspectives that would be useful.

Chairman STENNIS. Well, I assure you that your testimony is worthy of the utmost analysis and consideration by the committee members. and I think it will get very good attention.

Dr. BEAM. We appreciate what the Congress did last year.

Chairman STENNIS. I believe you testify every year.

Dr. BEAM. This is the second year I have testified. We have a rotating chairmanship, and I suspect that I will be rotated out at the end of the year if I am like my predecessors.

Chairman STENNIS. All right. Well, with special thanks from the committee.

I have a matter with my doctor here that he will not agree with me on, so I have to go and argue with him.

I am glad we have Senator Sasser here. He is going to preside. We have to divide this thing up, you know.

So with the thanks of the committee and also thanks to Senator Sasser, we will see that all that want to be heard will be given a chance.

All right, ladies and gentlemen, if you will excuse me, I will be back as soon as I can, and again, I want to thank Senator Sasser.

NAVAL RESERVE ASSOCIATION

STATEMENT OF CAPT. CHARLES A. BUESENER, USNR (RET), DIRECTOR OF LEGISLATION, NAVAL RESERVE ASSOCIATION

ACCOMPANIED BY: CAPT. KEN WELSH, PRESIDENT, NAVAL RESERVE ASSOCIATION

MODERNIZATION OF NAVAL RESERVE AIR AND SURFACE

Senator SASSER [presiding]. Our next witness will be Captain Charles Buesener, representing the Naval Reserve Association.

Captain Buesener, we welcome you here today, and for purposes of the record, would you be good enough to identify your colleague there, and then proceed as you wish.

Captain BUESENER. Thank you, Senator Sasser.

I am very happy to have with me Capt. Ken Welsh, the president of the Naval Reserve Association. He was available to join me up here today to give testimony relative to the issues of concern to the association.

Captain WELSH. Senator Sasser, just one quick word about Captain Buesener's background. Before joining our professional staff, he was the commanding officer of a large naval air station, Willow Grove, and prior to that he had served 7 years in the Pentagon on the Chief of Naval Operations Staff, so he represents an expert witness, and he will be giving you testimony this morning.

Thank you, sir.

Captain BUESENER. That was accidental. I did not bring my own PR man.

Senator SASSER. That is not a bad plan, Captain.

Captain BUESENER. This is my fourth time here, and it is always a pleasure to have the opportunity to express our concerns to this committee. Truly over the last 5 to 6 years, great advances have been made in the modernization of the Naval Reserve Air and Surface. Many of these improvements have been a direct result of a continued and strong support for the Naval Reserve by Members of Congress, and particularly your committee.

STATUS OF EQUIPMENT

We would like to come to you today and report some good news and some bad news. The good news is that we do in many, many areas of our operational requirements, have currently in hand extremely capable state of the art equipment. We have F–14's, we have F/A–18's, we are soon to have A–6's. We have P–3's. We have LAMP's MK 1 helos, we have FG–7's, we have 1052 frigates, and all of these equipments are in and operating, and operating very well.

The fact of the matter that I must also report to you is that in some cases, although the big ticket item is in place, very necessary prerequisite imbedded equipment has not yet found its way to the Naval Reserve, and I will give you a couple of examples.

TACTICAL AIR WINGS

Our tac air wings, as I said, have state-of-the-art aircraft. However, there is an extreme shortage in DECM equipment for those airplanes, there is an extreme shortage of radar warning equipment for those airplanes simply because there is a fleet shortage of the black boxes necessary to provide that capability. So when the airplanes are transferred to the Reserve, in many cases, although they are equipped and provisioned for this equipment, the equipment black boxes have to be removed to meet fleet deficits.

This is not a minor item because we all know that in a high threat environment we cannot put an F–14 or a tac air airplane in that cannot cope with the SAM missiles, that cannot dump flares for necessary evasion. So we have to have this equipment before we deploy these airplanes.

The CNO standard for fleet deployment is 100 percent for the DECM and 75 percent for the radar warning equipment. We essentially have none. We need 207 boxes for the DECM and about 175 for the others. It is not a problem that is, in our view, being adequately addressed in the budget, and I know it is a very difficult and tight budget, but the fact of the matter is that we have the airplanes, but we are going to have trouble deploying them and putting them in a high threat environment until this issue is addressed.

We are getting the F/A–18's, and this is another small example. They are in place in two squadrons, and yet there is a severe shortage of bomb racks. To have an attack squadron in the Navy inventory without bomb racks is not a way to run a railroad. The shortfail there is about $36 million, so it is not insignificant.

Now, these things really have to be addressed in a very tight budget environment because we do not want to get into the seduced frame of mind that because these high ticket items are visible and they are there, we have a full broad spectrum of capability.

BP–68 CREWS

One of the fine, nice advantages of my job is I get an opportunity to spend a lot of time with the troops. I did so last weekend, and I presented an award to an ASW crew from BP–68 out of Andrews Air Force Base. ASW has been, perhaps, those of you who have been here before when I have talked, is the big ticket item of the Naval Reserve. Most of our forces in terms of numbers, in terms of people, are involved in the ASW problem.

BP–68's outstanding crew had over 150 hours of ASW experience in one airplane. The active force is lucky if they have 55 to 60. That at once shows you the value of the Naval Reserve and of the Reserves in general. We had over 25,000, 30,000 hours of flight time on that one flight deck.

Coincidentally, this squadron just got back from the Mediterranean after 2 weeks' active duty. They performed very admirably. They were integrated in battle group ASW operations. They conducted the full spectrum of ASW operations throughout the Mediterranean, and they got laudatory messages from Sixth Fleet, from the PAT wing commander at Rota, and they did an outstanding job. They flew over 700 hours.

P–3 PROCUREMENT

I say this not only to praise them, but to indicate to you the value of the Naval Reserve and also, perhaps, to lead you a little bit down the garden path because P–3's are a critical issue for the Naval Reserve, and this outstanding squadron, unless something is done to replace their equipment, will essentially be out of business by the 1995–96 time frame.

We in the Naval Reserve Association have been a strong supporter of continued P–3C procurement on an interim basis for the rapid development and procurement profile of the LRAACA replacement airplane. Unfortunately, both those programs are now in trouble. The LRAACA program, as originally envisioned, has slipped in its impact on inventory shortfalls far to the right, and so the older airplanes that we are now operating will have to (*a*) be upgraded, and (*b*) have their service life extended.

ASW PROBLEM

I would ask you to pay particular attention to this vital issue because ASW is our No. 1 problem. The Soviet submarine force is our No. 1 threat, and the Naval Reserve Association believes that our contributions to that not only are significant but are very important in terms of getting the mission done. This is an area where we are fully integrated in the fleet and where we can demonstrate year after year that total force is working and total force is cheap and effective and good.

Most of our programs in my written statement I will not read to you. There are a couple I would like to highlight.

Senator SASSER. Could you just hit the highlights, Captain Buesener? You are running out of time here, and we have got about 12 more witnesses.

Captain BUESENER. Yes, sir; sure will.

FUNDING FOR PROGRAM MODERNIZATION

We have two programs. We have an MIUW program that Congress funded the modernization for 50 percent of the units last year. We would ask that you continue that funding this year and buy out the program and get it over with so we can get on with what we are doing. We have the upgrade for the LAMPS MK 1 helo, which is very important in the ASW world, necessary for our frigates, and unless that upgrade is carried on and carried forth, they flat cannot find the submarines of the 1990's.

I will not take any more of your time. I would ask that my statement be made part of the record, and if there are any questions, I would be glad to answer them now or for the record later.

Thank you.

[The statement follows:]

STATEMENT BY
CAPT CHARLES A. BUESENER, USNR (RET)
DIRECTOR OF LEGISLATION
OF THE
NAVAL RESERVE ASSOCIATION

Mr. Chairman, Distinguished members of the Committee. It is a privilege to have this opportunity to present to you the views of the Naval Reserve Association relative to the FY 89 appropriations legislation.

The Naval Reserve Association's agenda relative to the FY89 amended budget submission has been developed this year as in the past by examining this year's budget submission and addresses the needs of the Naval Reserve as we approach the 90s. Before we address specific issues that are of matters of particular concern to the Naval Reserve Association, we should review the bidding.

Last year's budget submission for FY88/FY89 displayed a request for Naval Reserve procurement of $148.5 million in FY 88 and $163.5 million in FY 89. This year's FY 89 amended budget displayed zero funding for Naval Reserve procurement.

This lack of budgetary support is neither new nor surprising as Department of the Navy (and Marine Corps) procurement funding was adjusted downward as seen below:

FY 1989 PROCUREMENT PROGRAM
SUMMARY
($ IN MILLIONS)

APPROPRIATION	FY 1987	FY 1988	PRES BUD FY 1989	FY1989 ADJUSTMENT	AMENDED FY 1989
AIRCRAFT PROCUREMENT, NAVY	9,682.4	9,418.3	10,250.3	-1,270.3	8,980.0
WEAPONS PROCUREMENT, NAVY	4,968.3	5,834.6	7,852.9	-1,581.1	6,271.8
SHIPBUILDING AND CONVERSION NAVY	10,055.4	16,155.4	11,858.4	-2,728.3	9,130.1
OTHER PROCUREMENT, NAVY	5,747.7	4,731.4	6,577.5	-1,787.8	4,789.7
PROCUREMENT, MARINE CORPS	1,438.5	1,295.6	1,646.5	- 489.2	1,157.3
COASTAL DEFENSE AUGMENTATION	200.0	20.0			
TOTAL	32,092.2	37,455.2	38,185.6	-7,856.7	30,328.9

THE ALMOST $8 BILLION PROCUREMENT ACCOUNT REDUCTION IS A VERY SIGNIFICANT REDUCTION, BUT THE FACT REMAINS THAT OVER $30 BILLION IS STILL AVAILABLE FOR PROCUREMENT.

AS ALL OF YOU KNOW, SIGNIFICANT EQUIPMENT MODERNIZATION OF NAVAL RESERVE EQUIPMENT HAS OCCURRED OVER THE PAST FEW YEARS. THIS HAS BEEN ACCOMPLISHED PRIMARILY BY "CONGRESSIONAL ADD-ONS" AND HAS TAKEN THE FORM OF BOTH NEW EQUIPMENT PROCUREMENT (E.G. P3C'S) AND UPDATE MODIFICATIONS OF EXISTING OLDER IN PLACE RESERVE EQUIPMENT (E.G. F-14, SH2G UPGRADES.) IT IS INTERESTING TO NOTE THAT THIS MODERNIZATION EFFORT HAS BEEN INITIATED AND SUSTAINED BY THE ADDITION OF $350-$450 MILLION PER YEAR IN THE GUARD AND RESERVE PROCUREMENT ACCOUNT. THE NAVAL RESERVE ASSOCIATION BELIEVES THE NAVAL RESERVE MUST CONTINUE TO BE MODERNIZED AT A LEVEL OF ABOUT $350-$400 MILLION PER YEAR IF THE DISASTER OF THE 70S IS NOT TO BE REPEATED.

THE NAVAL RESERVE CONTRIBUTION TO THE TOTAL FORCE IS SIGNIFICANT NOW AS SEEN IN THE TABLE BELOW AND MAY HAVE TO INCREASE IN THE FUTURE AS BUDGET CONSTRAINTS INCREASE:

NAVAL RESERVE CONTRIBUTIONS TO THE TOTAL NAVY

UNIT TYPES	RESERVE PERCENT OF TOTAL NAVY
CONUS BASED LOGISTICAL AIRLIFT SQUADRONS	100
CONUS BASED FLEET COMPOSITE (SERVICE) SQUADRONS	100
LIGHT ATTACK HELICOPTER SQUADRONS	100
COMBAT SEARCH AND RESCUE SQUADRONS	100
MOBILE INSHORE UNDERSEA WARFARE UNITS	100
NAVAL CONTROL OF SHIPPING (MILITARY PERSONNEL)	99
CARGO HANDLING BATTALIONS	92
MILITARY SEALIFT COMMAND MILITARY PERSONNEL	85
OCEAN MINESWEEPERS	82
SPECIAL BOAT FORCES	66
MOBILE CONSTRUCTION BATTALIONS	65
MEDICAL SUPPORT (MILITARY PERSONNEL)	58
MARITIME AIR PATROL SQUADRONS	35
INTELLIGENCE PERSONNEL	35
AIRBORNE MINE COUNTERMEASURES SQUADRONS	25
LAMPS ANTI-SUBMARINE WARFARE SQUADRONS	21
BASE OPERATING SUPPORT PERSONNEL	19
*FRIGATES (FFG-7s/FF-1052s)	16
CARRIER AIR WINGS	13
AMPHIBIOUS WARFARE SHIPS	5

NOTE: PERCENTAGE DETERMINED BY COUNTING LIKE-TYPE UNITS OR PERSONNEL. DATA AS OF SEPTEMBER 30, 1987.

* % INCREASED DUE TO EARLY RETIREMENT OF 16 ACTIVE DUTY FRIGATES IN FY 88 AND FY 89.

As has been pointed out earlier, the Navy Procurement budget for FY89 is $30 billion. An allocation of just 1.5% of that total would provide $450 million for continued essential Naval Reserve modernization and should be provided in the FY 89 Guard and Reserve procurement account for this purpose. The Naval Reserve Association does not believe that application of such a small amount to continue the modernization of the Naval Reserve would seriously effect active force procurement efforts but conversely the effect of zeroing Guard and Reserve procurement would quickly reduce the Guard and Reserve to the sad and dangerous state that prevailed in the 70s.

Naval Reserve Association Legislative Agenda

Not surprisingly, the Naval Reserve Association major issues for FY 89 have not changed significantly from last year. This is due to several obvious factors- first, last year's agenda covered both FY 88 and FY 89. Secondly, the structure of the Naval Reserve Force continues to be overwhelmingly ASW, VP, HS, LAMPS MK1 and FF 1052/FFG-7. Thirdly, the Soviet submarine threat remains the number one threat to the successful prosecution of the Navy's mission of control of the seas and is growing in sophistication and capability and lastly, except for our mine warfare ships, our ASW units are the ones most in need of continued upgrading and improvement. The ASW issues as well as other major concerns of Naval Reserve Association will be addressed in the following agenda:

- Anti-submarine warfare
    - Reserve Maritime Patrol (VP) Squadrons
    - SH-2 LAMPS MK 1 weapon system improvement
    - FF Integrated Shipboard Tactical System (FFISTS)
- Reserve Tactical Air Programs, Combat Search and Rescue and Composite Squadrons (VC)
- Military Construction Naval Reserve

- o MCM/MHC/COOP
- o MIUW Program
- o ARAPAHO
- o Reserve Personnel

Anti-Submarine Warfare

Reserve Maritime Patrol (VP) Squadrons

Due in part to the efforts of the Naval Reserve Association and continued strong support in Congress, significant progress has been achieved in modernizing the reserve VP squadrons. Currently, 16 new P3C UDIII aircraft are either delivered or in production for Naval Reserve squadrons. These aircraft will modernize two Reserve Force squadrons. The remaining eleven Reserve squadrons as well as two active squadrons are currently flying P3 A/B aircraft.

Last year, after the FY88 budget had been submitted with no P3C procurement, the Secretary of Defense supported Naval Reserve Association position and asked for P3C procurement. No P3C procurement is contained in the FY89 budget request again this year. This year, in his FY89 posture statement, Secretary of Defense Carlucci addresses the Maritime Patrol Aircraft problem as follows:

> "We have made some changes in the P-3 program due to a lack of competition for the "G" model of the aircraft described in last year's report. The Long-Range Air ASW Capability Aircraft (LRAACA)is now planned to succeed the P-3C as the Navy's airborne land-based ASW system. In developing this new aircraft, the Navy will consider derivatives of commercial airframes, as well as modified versions of the P-3. The LRAACA will be designed to carry larger payloads than

> THOSE OF THE EXISTING P-3C, AND THE COMPETITION CALLS FOR A DESIRED INCREASE IN THE PLANE'S RADIUS-OF-ACTION TO 1,600 NAUTICAL MILES. IN EVALUATING THE ALTERNATIVE DESIGNS, WE WILL STRESS OVERALL COST-EFFECTIVENESS IN PERFORMING FUTURE MARITIME PATROL MISSIONS.
>
> "THE ADDITIONAL P-3C PROCUREMENT FUNDS VOTED BY THE CONGRESS IN FY 1988 WILL ENABLE P-3 PRODUCTION TO BE SUSTAINED AS A HEDGE AGAINST ANY DELAYS IN LRAACA'S DEVELOPMENT."

THE FY89 BUDGET REQUEST CONTAINS ONLY $69.1 MILLION FOR LRAACA DEVELOPMENT. FULL DEVELOPMENT COSTS FOR LRAACA ARE ESTIMATED TO BE $500 MILLION. THE RELATIVELY SMALL AMOUNT REQUESTED IS UNDOUBTEDLY DUE TO THE FACT THAT THE BEST AND FINAL BIDS BY BOEING, LOCKHEED AND MCDONNELL-DOUGLAS WILL NOT BE OPENED UNTIL SEPTEMBER 1988 AND FULL DEVELOPMENT COSTS WILL BE INCLUDED IN THE FY90/91 BUDGET.

THE MARITIME PATROL AIRCRAFT TABLE ON PAGE _____ DISPLAYS CURRENT AIRCRAFT INVENTORY AND IDENTIFIES THE COMBINED EFFECT THAT AIRCRAFT RETIREMENTS AND THE LRAACA PROCUREMENT WILL HAVE IN THAT INVENTORY IN THE 90S.

IT IS IMPORTANT TO NOTE THAT THE AIRCRAFT RETIREMENTS SECTION IS BASED ON A 28 YEAR DESIGN SERVICE LIFE OF THE P3. THE CURRENT NAVY POLICY IS TO KEEP THE P3'S IN SERVICE UNTIL THEY REACH 30 YEARS. THIS ADDED TWO YEARS DOES NOT IN EFFECT CHANGE THE INVENTORY PROBLEM OTHER THAN TO POSTPONE IT FOR TWO YEARS.

AS CAN BE SEEN, THERE IS AN INVENTORY SHORTAGE IN THE NEAR TERM AND, EVEN WITH THE PROCUREMENT OF LRAACA, THE INVENTORY SHORTAGE INCREASES THROUGHOUT THE DECADE.

THUS, IF FORCE STRUCTURE IS TO BE MAINTAINED, OLDER AIRCRAFT WILL HAVE TO BE CONTINUED IN ACTIVE STATUS BEYOND THEIR PROGRAMMED SERVICE LIFE.

Of equal significance, is that although the LRAACA procurement schedule depicted represents the current acquisition plan, most defense analysts believe that the LRAACA start will be delayed and the annual production rates will be in the 10-12 aircraft range vice the 18 per year displayed.

A Congressional budget office report entitled "Navy Combat aircraft: Issues and Options" states "a delay of the LRAACA program may prove necessary." It is interesting to note that this particular study was conducted prior to the completion of last year's Defense budget and thus does not reflect the reduced defense budget planning factors now in effect.

For several years the Naval Reserve Association has voiced grave concern regarding the age and size of the P3 inventory. Subsequent events have only served to increase this concern and as NRA predicted earlier, we are now in extremis.

It is apparent that no single action (i.e. the procurement of 250 LRAACA aircraft) is fiscally attainable in the near term which will solve the forecasted VP inventory shortfalls.

The Naval Reserve Association believes three initiatives must be pursued in the near term to address the problem as set forth below:

Continued Development and Production of LRAACA

The Maritime Patrol Squadron (VP) community absolutely requires a follow on aircraft to the P3C. Quite simply, the dramatic increase in the sophistication and capability of the Soviet submarine force have placed such increased demands on our MPA force aircraft that the P3C does not any longer have the inherent growth capability to cope with the gross weight requirements of increased weapon and sensor load and maintain the extended range and endurance requirements necessary to meet the threat.

Additionally, we must remember that the P3s procured in the 90s will be

FLYING IN THE YEAR 2020 AND BEYOND, YET MUCH OF THE BASIC AIRFRAME, COCKPIT INSTRUMENTATION, AND COMMUNICATION IS 1960S TECHNOLOGY AND CONSEQUENTLY WILL BECOME INCREASINGLY MORE DIFFICULT AND EXPENSIVE TO SUPPORT AS OUR INDUSTRIAL BASE SHIFTS TO THE MARKET PLACE DEMANDS OF A MUCH HIGHER TECHNOLOGICAL BASE.

IN REALITY, A SO CALLED "GLASS" COCKPIT AND SIMILAR HIGH TECH EQUIPMENT ARE NOT LUXURIES IN 1990'S. THEY ARE, IN FACT, A LONG TERM LOGISTIC AND FISCAL NECESSITY.

RECOMMENDATION

THE NAVAL RESERVE ASSOCIATION STRONGLY SUPPORTS THE LRAACA PROGRAM AND BELIEVES CURRENT BUDGET REQUESTS FOR LRAACA AND UPDATE IV DEVELOPMENT SHOULD BE FULLY FUNDED.

IMPROVED PROCESSING AND DISPLAY SYSTEM (IPADS) FOR P3 A/B AIRCRAFT

A LARGE NUMBER OF OLDER P3 A/B AIRCRAFT CURRENTLY IN THE RESERVE AS WELL AS THE ACTIVE FORCES WILL BE CONTINUED IN SERVICE FOR MOST OF THE 90S. THESE AIRCRAFT MUST BE MINIMALLY UPGRADED PARTICULARLY IN THE ACOUSTIC CAPABILITY IN ORDER TO BE EFFECTIVE AGAINST THE GROWING SOVIET SUBMARINE THREAT OF THE 90S. FORTUNATELY JUST SUCH AN UPGRADE IS IN THE LATTER STAGES OF DEVELOPMENT AND IS FULLY FUNDED. CALLED IPADS (IMPROVED PROCESSING AND DISPLAY SYSTEM) THIS SYSTEM SIGNIFICANTLY IMPROVES THE ACOUSTIC PROCESSING AND DISPLAY AND IS THE ONLY IMPROVEMENT MODIFICATION (MOD) THAT CAN BE INSTALLED IN THE P3 A/B AIRCRAFT. (NOTE CURRENT FLEET IMPROVEMENT MODS, I.E. UPGRADE III AND UPDATE IV, ARE ONLY APPLICABLE TO P3C AIRCRAFT). ADDITIONALLY, IPADS IS INEXPENSIVE AT APPROXIMATELY $3 MILLION PER AIRCRAFT. AN ENTIRE SQUADRON CAN BE UPDATED FOR THE PRICE OF ONE NEW P3C.

RECOMMENDATION

FUNDING SHOULD BE PROVIDED IN FY89 TO RETROFIT ONE RESERVE P3 A/B SQUADRON WITH IPADS.

PROCUREMENT OF P3C UDIII AIRCRAFT

THERE SHOULD BE CONTINUED PROCUREMENT OF NEW P3C UDIII AIRCRAFT AS A HEDGE AGAINST FURTHER SLIPPAGE IN LRAACA PROCUREMENT. THE NAVAL RESERVE ASSOCIATION BELIEVES THAT P3C PROCUREMENT IS NECESSARY FOR SEVERAL REASONS. FIRST, IN A BEST CASE SCENARIO, REGARDLESS OF THE LRAACA PROCUREMENT SCHEDULE, INVENTORY SHORTAGES WILL CONTINUE TO EXIST EVEN IF THE ENTIRE PROPOSED ACQUISITION PLAN IS APPROVED. SECONDLY, IN A WORST CASE SCENARIO, I.E. A LONG DELAY OR CANCELLATION OF LRAACA, CONTINUED P3C PRODUCTION IS THE ONLY ALTERNATIVE TO SEVERE FORCE STRUCTURE LOSS.

THE NAVAL RESERVE ASSOCIATION BELIEVES THE PRUDENT COURSE OF ACTION REQUIRES P3C UD III PRODUCTION IN FY89 AT MINIMUM PRODUCTION RATE TO AVOID PREMATURE PRODUCTION LINE SHUTDOWN AND TO CONTINUE TO ALLEVIATE CURRENT FLEET AND RESERVE AIRCRAFT SHORTFALLS.

RECOMMENDATION

CONGRESS SHOULD PROVIDE FUNDS TO PROCURE SIX P3C UD III IN FY89.

SH2 LAMPS MK1 WEAPONS SYSTEM IMPROVEMENT

THE SH2 LAMPS MK1 HELICOPTER WILL BE FOR YEARS TO COME THE BACKBONE OF THE NAVAL RESERVE FRIGATE PROGRAM AS THE RESERVE FORCE FRIGATES ARE MODERNIZED WITH IMPROVED ON BOARD PROCESSORS AND INCREASINGLY EFFECTIVE TOWED ARRAYS. ALSO,AN UPGRADE FOR THE LAMPS MKI HELICOPTER HAS BEEN PLANNED AND PROPOSED BY THE NAVY. IN 1986 AN EXTENSIVE UPGRADE WAS PROPOSED INCLUDING INSTALLATION OF T-700 ENGINES, ON-BOARD ACOUSTIC PROCESSING, 99 CHANNEL SONOBUOY RECEIVER IMPROVED DATA BASE, TACTICAL MISSION COMPUTER AND AIRCRAFT TO SHIP DATA LINK.

THE NAVY IN FY87 INITIATED A RETROFIT PROGRAM FOR RESERVE SH2'S AT A PROCUREMENT RATE OF SIX AIRCRAFT PER YEAR. IN THE FY88/89 BUDGET REQUEST THIS NUMBER WAS REDUCED TO TWO KITS IN FY88 AND ZERO KITS IN FY89. HOWEVER, CONGRESS

AT THE URGING OF THE NAVAL RESERVE ASSOCIATION, RESTORED THE SIX UPDATE KITS, INCREASED FY88 FUNDING TO $55 MILLION, AND ALSO AUTHORIZED SIX KITS FOR FY89.

ONCE AGAIN, HOWEVER, THE FY89 BUDGET ESSENTIALLY ZEROED THE PROGRAM.

RECOMMENDATION

THE NAVAL RESERVE ASSOCIATION SUPPORTS THE ADDITION OF AT LEAST $40 MILLION TO THE FY89 APPROPRIATIONS TO PROVIDE FUNDING FOR THE PREVIOUSLY AUTHORIZED UPDATE KITS, TRAINER AND ASSOCIATED TRAINING SUPPORT FOR THIS MOST IMPORTANT ASW UPGRADE.

FF 1052 FRIGATES

THE ASSIGNMENT OF FRIGATES TO THE NAVAL RESERVE FORCE CONTINUES ON SCHEDULE.

SIGNIFICANT ASW MODERNIZATION PROGRAMS INITIATED IN PREVIOUS BUDGETS ARE BEING INCORPORATED ON THESE SHIPS. ONE NOTABLE EXCEPTION IS THE FUNDING FOR THE AN/SQR 18 TOWED ARRAYS FOR THE LAST THREE NAVAL RESERVE 1052 FRIGATES. ALTHOUGH TWO TOWED ARRAYS WERE AUTHORIZED AND FUNDED IN FY87 FOR THESE SHIPS, A NUMBER OF INTERNAL NAVY ACTIONS HAVE RESULTED IN NO MONEY BEING AVAILABLE TO PROCURE THESE TOWED ARRAYS. ADDITIONALLY, ALTHOUGH DIRECTED BY CONGRESS IN LAST YEAR'S CONTINUING RESOLUTION TO PURCHASE THE TOWED ARRAYS IN FY89, NO FUNDING HAS BEEN REQUESTED. THE 1052 FRIGATE MUST BE EQUIPPED WITH A TOWED ARRAY TO PERFORM ITS ASSIGNED MISSION.

RECOMMENDATION

THE NAVAL RESERVE ASSOCIATION RECOMMENDS THE ADDITION OF $14.2 MILLION IN FY89 APPROPRIATIONS SPECIFICALLY FOR THE PROCUREMENT OF 3 AN/SQR 18 TOWED ARRAYS FOR THE LAST THREE NAVAL RESERVE FORCE 1052 CLASS FRIGATES.

FF INTEGRATED SHIPBOARD TACTICAL SYSTEM (FFISTS)

BY 1990 THE SURFACE RESERVE FORCE WILL HAVE 26 MODERN FRIGATES ASSIGNED. OF THIS TOTAL, EIGHT WILL BE 1052 CLASS FRIGATES. SIGNIFICANT ASW IMPROVEMENTS TO THESE SHIPS HAVE BEEN AUTHORIZED AND FUNDED OVER THE PAST SEVERAL YEARS.

IN THE COURSE OF EVOLUTIONARY MODERNIZATION, A SUCCESSION OF MODERN SENSORS HAVE BEEN ADDED TO THE 1052 CLASS SHIPS. WHILE THESE INDIVIDUAL SENSORS HAVE GREATLY ENHANCED THE CAPABILITY OF THE 1052S THE ABILITY OF THE SHIP TO FULLY EXPLOIT THEIR POTENTIAL HAS NOT BEEN DEVELOPED DUE TO A "STONE AGE" CIC.

THUS, WHILE SIGNIFICANT RAW DATA IS AVAILABLE TO SOLVE THE ASW CHALLENGE, IT MUST BE TRANSCRIBED AND DISPLAYED LARGELY BY THE "GREASE PENCIL/SOUND POWER TELEPHONE" TECHNIQUE OF WWII.

VADM METCALF, WHEN HE WAS COMSECONDFLT RECOGNIZED THIS DEFICIENCY WHEN HE STATED "SHIPBOARD ASW INFORMATION PROCESSING DID NOT KEEP PACE WITH SENSOR IMPROVEMENTS AND THREAT CAPABILITIES."

IT IS NOT SURPRISING THAT THE NAVY HAS TAKEN STEPS TO ALLEVIATE THIS PROBLEM WITH THE 1052S. THE NAVAL UNDERWATER SYSTEMS CENTER WAS TASKED TO PROVIDE A ASW INFORMATION PROCESSING SYSTEM SUITABLE FOR INSTALLATION ON 1052 CLASS SHIPS. THIS TASK WAS ACCOMPLISHED UTILIZING A "RAPID PROTOTYPING" METHODOLOGY BY DESIGNING A SYSTEM BASED ON OFF THE SHELF COMPUTER AND GRAPHICS.

FFISTS - FOR FF INTEGRATED SHIPBOARD TACTICAL SYSTEM WAS DEPLOYED ABOARD USS HAROLD E. HOLT (FF 1074) AND PROVED TO BE A MOST EFFECTIVE ASW BATTLE MANAGEMENT SYSTEM THAT HAS WON QUICK AND STRONG SUPPORT IN THE FLEET.

THE FOLLOWING ARTICLE, CO-AUTHORED BY CDR WILLIAM (COTY) KELLER, USN AND MR. MICHAEL J. PASTORE, COMBAT ENGINEER FOR THE NAVAL UNDERWATER SYSTEMS CENTER, WAS PRINTED IN THE MAY 1987 ISSUE OF THE NAVAL RESERVE ASSOCIATION NEWS AND IS PROVIDED AGAIN HERE FOR YOUR REVIEW.

Hi Tech for an Old Ship USS Harold E. Holt (FF 1074) Puts FFIST to Work

by CDR William (Coty) Keller, USN and Mr. Michael J. Pastore

Challenge and Opportunity

Getting hi-tech hardware into the Fleet is potentially one of the most rewarding opportunities available in today's Navy. This is especially true when R&D can be done simultaneously with otherwise scheduled operations. Thus, new systems not only are evaluated, but immediately contribute to the fighting capability of the ship being used for the evaluation. This marriage of computer software development and fleet evaluation is called "rapid prototyping". An example of this "rapid prototyping" was provided in a test of the capabilities of FFISTS on USS HAROLD E. HOLT (FF 1074).

FFISTS stands for Fast Frigate Integrated Shipboard Tactical System. It uses off-the-shelf hi-tech computers to collate ASW sensor data, tactical information, and mission planning aids into one system for the ASW ship. FFISTS provides real-time combat system assessment and working decision aids to all levels of the ASW team: Commanding Officer, Tactical Officer, Watch Supervisors, and Equipment Operators. The system provides advanced planning tools, combat system performance assessments, in-situ capability trade-offs, integration of sensor weapons status with tactics, multi-user TMA stations, tactical evaluations and command overview on color displays.

The Problem

HOLT is typical of the FF 1052 KNOX class frigates which are the current work horses of the Fleet's ASW platforms. While there are more capable platforms coming into the Fleet, the needs of the 600-ship Navy dictate many more years of use from these 15 to 18 year old ships. There are several active and several passive sonar systems and one or more ESM systems on each ship. Numerous radars and extensive communication equipments provide close in and OTH information for ASW and for ASUW. In addition, the LAMPS MKI Helo adds potent capability. Unfortunately, many of these systems were added after the final

SHIP OF THE CLASS WAS LAUNCHED. CONSEQUENTLY, THE SHIP'S COMBAT INFORMATION CENTER (CIC) WAS NOT DESIGNED TO SUPPORT SUCH A MYRIAD OF SOPHISTICATED CAPABILITIES, THUS CREATING A NEED FOR SOMETHING LIKE FFISTS. FRIGATES NEED A STATE OF THE ART WAY OF ASSESSING IN-SITU SENSOR PERFORMANCE AND A MODERN SET OF DISPLAY AND DECISION AIDS IN CIC.

A FAST SOLUTION - FFISTS

WHILE FFISTS DOES MANY THINGS IN MANY WARFARE AREAS, IT WAS DESIGNED TO TAKE CARE OF THE THREE BASIC INFORMATION NEEDS OF THE ASW SKIPPER. THESE ARE:

1. THE ASSESSMENT OF INDIVIDUAL ASW SENSOR CAPABILITY WITH REGARD TO OWN SHIP'S SPEED, COURSE, AND SENSOR DEPTH, TYPE OF TARGET AND TARGET OPERATIONS, AND THE IN-SITU OPERATING ENVIRONMENT.

2. THE TACTICAL PICTURES, I.E., LOCATING DATA ON THE THREAT, OWN FORCES, AND OTHER SHIPPING THAT IS AVAILABLE FROM OFF-BOARD DATA SOURCES AND GEOGRAPHIC CONSIDERATION (LAND MASSES, BOTTOM CONTOURS, ETC.).

3. A DISPLAY OF OTHER TACTICAL CONSIDERATIONS--LIKELY PATROL AREA OF GOOD GUYS AND BAD GUYS, WEAPONS ENVELOPES, PLANNED TRACKS, MINEFIELDS, ETC.

FFISTS IS A TOOL THAT CAN QUICKLY PROVIDE THE COMMANDER THE MEANS TO INTEGRATE THE RESULTS OF THE INFORMATION FROM THESE THREE AREAS, TO EVALUATE THE CONSEQUENCES OF VARIOUS ALTERNATIVE ACTIONS, AND THEN TO EFFECTIVELY EMPLOY THE SHIP'S SENSORS AND WEAPONS TO GET THE JOB DONE.

THE FFISTS COMPONENTS THAT WERE INSTALLED ON HOLT IN ONE WEEK ARE SHOWN IN FIGURE 1. FFISTS HAS 3 SUB-SYSTEMS: TICCS, TOPPS, AND AIMS. IN THE SONAR SPACES:

TOPPS-AIMS: A CRITICAL PART OF FFISTS IS THE ASSESSMENT OF THE ASW SENSOR CAPABILITY. THE TACTICAL OPERATOR'S PERFORMANCE PREDICTION SYSTEM (TOPPS) USES A COMPUTER TO PROVIDE IN-SITU MONITOR CAPABILITY FOR THE AN/SQR-18 PASSIVE

SONAR. TOPPS MONITORS ALL SEARCH DIRECTIONS IN ORDER TO ASSESS REAL-TIME CAPABILITY AGAINST THE THREAT. THE ACOUSTIC INTERFERENCE MONITOR SYSTEM (AIMS) PROVIDES IN-SITU MONITOR CAPABILITY FOR THE ANSQS-26 ACTIVE SONAR. WITHIN THE FFISTS SYSTEM, PURPOSE OF TOPPS AND AIMS IS TWOFOLD.

1. TO PROVIDE THE SONAR OPERATOR WITH INFORMATION ON THE BEST POSSIBLE EQUIPMENT SEARCH AND TRACKING LINE-UP POSSIBLE.

2. TO PROVIDE PREDICTED SONAR RANGES THAT ARE AUTOMATICALLY SENT TO CIC AS A CRITICAL INPUT FOR TACTICAL DECISION MAKING BY THE COMMANDER.

TICCS: IN CIC THE TACTICAL INFORMATION COMMAND AND CONTROL SYSTEM (TICCS) USES TWO COMPUTERS TO RECEIVE THE OTH LOCATING DATA, STORE THE OPERATIONAL/TACTICAL INFORMATION, AND PERFORM TARGET MOTION ANALYSIS FUNCTIONS FOR ALL CONTACTS. THE CONTACT MANAGER (CM) COMPUTER AUTOMATICALLY RECEIVES TACTICAL LOCATING DATA ON OWN FORCES, BACKGROUND SHIPPING, AND THREAT FORCES FROM SEVERAL COMMUNICATION CIRCUITS. THE CM OPERATOR IN CIC ADDS OWN SHIP SENSOR DATA TO THE TACTICAL PICTURE WHILE MONITORING THE AUTOMATIC INPUTS. THE COMMANDER AND CIC PERSONNEL CAN VIEW THESE RESULTS ON THE LARGE SCREEN DISPLAY (LSD) PROJECTOR SCREEN. THIS GEOSITUATION DISPLAY IS SIMULTANEOUSLY AVAILABLE TO THE SONAR SUPERVISOR AND OPERATORS ON THEIR TOPPS AND AIMS COMPUTERS. THE SECOND TICCS WATCH STATION IN CIC USES THE COMMAND PROCESSOR (CP), WHICH CAN OVERLAY OPERATIONAL AREAS AND SCREENING FORMATIONS. IN ADDITION, SONOBUOYS, INCLUDING INDIVIDUAL BUOY INFORMATION, CAN BE ENTERED AND DISPLAYED, AND TMA ON OWN SHIP CONTACTS AND THE RESULTANT TACTICAL POSITION CAN BE ENTERED BY THE CP OPERATOR. FINALLY, AND PERHAPS MOST IMPORTANT, THE TOPPS AND AIMS RANGE PREDICTION RESULTS CAN BE OVERLAYED ONTO THE GEOSITUATION DISPLAY TO FORM A REAL TIME ASSESSMENT ON THE CP COMPUTER.

THE 19-INCH MONITOR IN CIC (SHOWN IN FIGURE 1) ALLOWS THE CO/TAO/EVALUATOR TO SELECT EITHER THE TOPPS, AIMS, OR CP DISPLAY AS HE DESIRES. IT CAN BE SWIVELED 360 DEGREES FOR OPTIMUM VIEWING AT ANY CIC STATION.

THE INFORMATION PROVIDED BY EACH OF THESE INFORMATION SETS--SENSOR

PERFORMANCE, TACTICAL PICTURE, OPERATIONAL INFORMATION--IS SUFFICIENT JUSTIFICATION FOR FFISTS. HOWEVER, INTEGRATED TOGETHER AS THEY ARE BY FFISTS, THE CO AND HIS KEY WATCH STANDERS ARE PROVIDED A TACTICALLY EFFECTIVE MULTI-PURPOSE TACTICAL DECISION MAKING TOOL! THE POWER OF FFISTS WAS DEMONSTRATED DURING SEVERAL EXERCISES WHEN USS HAROLD E. HOLT WAS ABLE TO MAKE EXTENDED RANGE DETECTIONS AND COORDINATED SEARCHES.

HI TECH DOES IT

THE ABILITY TO PACK SO MUCH INFORMATION ON ONE SCREEN IS DUE TO THE USE OF OFF-THE-SHELF COMPUTERS AND THE USE OF COLOR WITH HIGH RESOLUTION GRAPHICS. THE IN-SITU CALCULATION OF SONAR CAPABILITY IS MADE POSSIBLE BY THE LATEST STATE-OF-THE-ART ELECTRONICS INTERFACING THE COMPUTER TO THE SONAR SYSTEM. BY USE OF HIGH TECHNOLOGY INFORMATION PROCESSING SYSTEMS SUCH AS FFISTS THE NAVY CAN UPGRADE OLDER PLATFORMS WITH NEWER SENSORS THAT WILL ALLOW OPERATIONS IN THE TWENTY-FIRST CENTURY.

FFISTS IS AN INEXPENSIVE (500K PER SHIP) FLEET DEVELOPED AND TESTED SYSTEM THAT PROVIDES A QUANTUM GAIN IN ASW EFFECTIVENESS FOR THE 1052 CLASS SHIPS.

RECOMMENDATION

THE NAVAL RESERVE HAS PROVIDED APPROXIMATELY $2 MILLION IN FY88 FUNDING FOR INSTALLATION OF FFISTS ON FOUR 1052 FRIGATES. THE NAVAL RESERVE ASSOCIATION RECOMMENDS THE ADDITION OF $2 MILLION IN FY89 SO THAT THE REMAINING NAVAL RESERVE 1052 FRIGATES CAN BE OUTFITTED WITH FFISTS.

RESERVE TACTICAL AIR PROGRAMS

RESERVE TACTICAL AIR WINGS

CONGRESSIONAL SUPPORT (CONTINUED PROCUREMENT OF F-14, F/A 18, E 2C, EA 6B AND, UNTIL FY88, A6E AIRCRAFT) HAS ENABLED THE PROGRAMMED MODERNIZATION OF THE

Reserve Air Wings to continue. Although the impact of the termination of A6 procurement on that aspect of Reserve Air Wing modernization may be felt at a later date, at present A6 transition is still scheduled. Critical to this transition is continued support of the A6 re-wing and re-manufacture programs currently being discussed. However, other gaps remain unaddressed in Reserve Airwing modernization. First, is the lack of any fixed wing ASW capability as the existing inventory of S3 aircraft preclude any being assigned to the Reserve air Wings. Additionally, the SH3 ASW helicopters currently assigned must eventually be replaced by the SH 60 aircraft and continued procurement of these aircraft is essential if the Reserve Tactical Air Wings are to remain fully capable and supportable in a deployed status.

Recommendation

The Naval Reserve Association supports the requested procurement and modernization of all tactical Airwing aircraft. Additionally consideration should be given to reopening the S3 production line in order to meet current active and Reserve force carrier based fixed wing inventory shortages.

Combat Search and Rescue

Strong Congressional support has provided funding to procure 18 SH60 combat search and rescue helicopters for the Naval Reserve. However, as these aircraft have been developed a requirement exists to equip these aircraft with the AAR 47 Missile Plume Detector system.

This system detects incoming "Stinger" type missiles and automatically triggers the on-board chaff/flare dispenser system. The Naval Reserve Association considers the AAR-47 system an "essential survivorability" system in a high threat environment.

Recommendation

The Naval Reserve Association recommends the addition of $6.0 million for

PROCUREMENT OF THIS SYSTEM FOR THE 18 HH 60 COMBAT SEARCH AND RESCUE HELICOPTERS OF THE NAVAL RESERVE.

NAVAL RESERVE VC SQUADRONS

AS A FUNCTION OF TOTAL FORCE INTEGRATION THE NAVAL RESERVE FLEET COMPOSITE SQUADRONS WERE FORMED WHEN ACTIVE VC SQUADRONS WERE DISESTABLISHED. THE PERFORMANCE OF THE RESERVE VC SQUADRONS HAS NOT ONLY BEEN OUTSTANDING FROM A FLEET SUPPORT POINT OF VIEW, BUT ADDITIONALLY HAVE PROVIDED SIGNIFICANT SAVINGS OVER THE PERIOD OF THEIR EXISTENCE. CURRENTLY, IN ADDITION TO PROVIDING AIR INTERCEPT CONTROL TRAINING, RADAR TRACKING AND FLEET EXERCISE SERVICES, FULLY SEVENTY-FIVE PERCENT OF THEIR MISSION INVOLVES DEFENSIVE AIR COMBAT TRAINING (I.E. AGGRESSOR AIRCRAFT SERVICES) FOR FLEET UNITS.

THESE SQUADRONS ARE CURRENTLY EQUIPPED WITH A4 SERIES AIRCRAFT WHICH ARE NOT CAPABLE OF MEETING FLEET ADVERSARY TRAINING NEEDS DUE TO THE FACT THAT THE A4 SERIES AIRCRAFT IS NOT SUPERSONIC.

THE ACTIVE FORCE "TOP GUN" SQUADRON HAS BEEN EQUIPPED WITH F-16 AIR FORCE CONFIGURATION AIRCRAFT AND THE NAVAL RESERVE ASSOCIATION BELIEVES THAT THE F-16 SHOULD ALSO BE INTRODUCED INTO THE RESERVE VC SQUADRONS.

RECOMMENDATION

THE NAVAL RESERVE ASSOCIATION RECOMMENDS THAT AN ADDITIONAL $90 MILLION BE PROVIDED IN FY89 TO PROVIDE 6 STANDARD AIR FORCE CONFIGURED F-16 AIRCRAFT FOR THE NAVAL RESERVE VC SQUADRONS.

MILITARY CONSTRUCTION NAVAL RESERVE

INADEQUATE FUNDING IN THE MILITARY CONSTRUCTION NAVAL RESERVE CONTINUES TO BE A MAJOR IMPEDIMENT IN ATTAINING MAXIMUM WARTIME READINESS.

The Naval Reserve has the highest percentage of inadequate facilities with 70% considered to be inadequate. Current Naval Reserve military construction backlog is $2 billion and growing. New equipment such as F/A-18, A6, F-14 introduced into the Naval Reserve have and will continue to generate requirements for additional modern facilities as existing older structures, because of age and design limitations, can not be accommodated to accept the high tech support equipment required by these modern complex weapons systems.

Of equal concern is the inadequacy of existing BEQ/BOQ daycare centers. Many of these structures are WWII wood construction and must be replaced. Clearly a greater share of the military construction budget must be programmed for the Naval Reserve.

In FY 87 budget hearings, a ramp up in MCNR was promised which would provide $350 over the five year period FY87-FY91. The FY89 MCNR under this plan was to be $72.7 million and reach $91.2 million in 1991.

Unfortunately, the FY89 amended budget request is $48.4 million. Included in this is only $1.9 million in unspecified minor construction. In view of the significant reduction in MCNR major construction the minor construction allocation is totally inadequate.

Recommendation

The Naval Reserve Association recommends increasing the FY89 MCNR appropriation to the previously planned FY 89 level of $72.2 million, and further, an increase in minor construction to $2.5 million is strongly recommended.

MCM/MHC/COOP

Events of the past year have highlighted grave deficiencies in this nation's mine warfare capability.

The lessons learned should strengthen our resolve to get on with the long delayed and critical modernization of our Mine Warfare assets.

It is estimated that the Soviet inventory of mines is over 300,000 of all types. Additionally, the Persian Gulf should have demonstrated that third world countries utilizing primitive technology mines pose a significant threat to our ability to maintain freedom of the seas.

The effectiveness of the mine has been well documented in the history of warfare at sea. Unfortunately, we forget this fact rather quickly and allow our own mine warfare defense to atrophy.

It is interesting to note that in the period Sept 1939-April 1940, some 137 ships were sunk by enemy action. Of these, 63 were the victims of mines and 74 were lost to submarines. With the existing Soviet mine inventory, a major effort is necessary to prevent similar losses from occurring.

The Navy's efforts to upgrade our mine warfare capability have not gone smoothly. Of the 14 MCM class ships scheduled to replace the ancient MSO class now in service only eleven have been funded. Cost overruns and production delays have resulted in only one ship being in service today. As a result, no MCM funding is requested in the FY89 budget.

The coastal mine hunter program has suffered similar design, cost and production delays resulting in cancellation of the MSH class and construction of a more conventionally designed MHC class. Two MHCs are requested in the FY89 budget request.

The COOP program has also experienced developmental problems. The original concept of utilizing captured drug smuggling boats and other "available" commercial boats proved too expensive to be feasible. Consequently, the COOP program is currently provided with older YP class ships.

Congressional interest remains strong for the continued development of the

COOP PROGRAM. THE FY 88 CONFERENCE REPORT STATES:

YP-683 CLASS MINE COUNTERMEASURE CONVERSION PROGRAM

> "ALTHOUGH THE U.S. NAVY IS PROCURING BOTH THE OCEAN GOING MCM AND THE MHC FOR THE COASTAL WATERS, IT WILL BE MANY YEARS BEFORE ADEQUATE NUMBERS OF SHIPS ARE DELIVERED TO PERFORM MINE SWEEPING MISSIONS NEAR U.S. HARBORS AND PORTS.
>
> "BECAUSE OF THIS SERIOUS SHORTFALL, THE CONFEREES BELIEVE THE NAVY SHOULD EXAMINE A PARALLEL AND COMPLIMENTARY PROGRAM TO THE MCM AND MHC PROGRAMS FOR PORT AND HARBOR MINE HUNTING MISSIONS.
>
> "ACCORDINGLY, THE SECRETARY OF THE NAVY IS DIRECTED TO USE PRIOR YEAR (FISCAL YEAR 1986) FUNDS TO OUTFIT THE LAST FISCAL YEAR 1986 YP-683 YARD CRAFT WITH A LIGHTWEIGHT, OFF-THE-SHELF MINE COUNTERMEASURES SYSTEM FOR USE IN A NATIONAL EMERGENCY.
>
> "THE MOST EXPEDIENT METHOD TO ACCOMPLISH THIS RAPID PROTOTYPING EFFORT IS TO MODIFY THE LAST SHIP IN THE CLASS AS IT AWAITS FINAL DELIVERY TO THE NAVY. THE MINE WARFARE PROBLEM IS WITH US TODAY AND EXPEDIENT METHODS MUST BE EMPLOYED IF THIS MINE COUNTERMEASURE CONCEPT IS TO BE REALIZED. ACCOMPLISHED AS AN ENGINEERING CHANGE PROPOSAL (ECP) TO HULL NUMBER 26, THE NAVY WILL THEN GAIN THE TECHNICAL SPECIFICATIONS AND ENGINEERING DRAWINGS THAT ARE NEEDED TO COMPETE SUBSEQUENT MODIFICATIONS TO THE YP-683 CLASS."

THE NAVAL RESERVE ASSOCIATION STRONGLY SUPPORTS THIS COOP INITIATIVE AND BELIEVES THESE YP CLASS SHIPS COULD BE PRODUCED FOR $10 MILLION EACH. THIS COST WHEN COMPARED WITH THE MUCH MORE EXPENSIVE MCM $100 MILLION EACH AND THE MHC AT

$75 MILLION EACH SEEMS TO BE A SENSIBLE AND COST EFFECTIVE APPROACH TO ALLEVIATE THE SERIOUS MINE WARFARE DEFICIENCIES.

RECOMMENDATION

THE NAVAL RESERVE ASSOCIATION STRONGLY SUPPORTS THE MHC PROCUREMENT IN THE FY89 BUDGET. FURTHER, YP, COOP DEVELOPMENT SHOULD BE VIGOROUSLY PURSUED AND THIS CLASS SHOULD BE PROCURED AS SOON AS POSSIBLE.

MIUW PROGRAM

THE MOBILE INSHORE UNDERWATER WARFARE PROGRAM IN THE NAVAL RESERVE CONSTITUTES THE TOTAL NAVY CAPABILITY IN THIS IMPORTANT AND VITAL WARFARE SPECIALTY. LAST YEAR, CONGRESS APPROPRIATED $10 MILLION TO PROCURE AN/SQR 17A SIGNAL PROCESSORS FOR THE MIUW VANS. THIS APPROPRIATION COVERED HALF OF THE REQUIREMENT.

RECOMMENDATION

THE NAVAL RESERVE ASSOCIATION RECOMMENDS THE ADDITION OF $10 MILLION IN FY89 TO COMPLETE THE OUTFITTING OF THE REMAINING INVENTORY OF MIUW VANS WITH THE AN/SQR 17A SIGNAL PROCESSOR.

ARAPAHO

THE TWENTY YEAR ODYSSEY OF THIS PROGRAM HAS BEEN DOCUMENTED OFTEN IN THE NAVAL RESERVE NEWS, HOWEVER A REVIEW OF THE CURRENT STATUS IS IN ORDER.

THE ARAPAHO PROTOTYPE WHICH WAS DEVELOPED BY THE U.S. NAVY AND SUBSEQUENTLY LEASED TO GREAT BRITAIN FOR THE FALKLANDS OPERATION HAS BEEN RETURNED TO THE UNITED STATES AND CURRENTLY IS LOCATED AT PANAMA CITY IN THE CUSTODY OF THE NAVAL COASTAL SYSTEMS CENTER. (SEE ARAPAHO ARTICLE ON PAGE _____ THIS ISSUE).

DURING 1986, THE NAVY DEVELOPED AN ARAPAHO DERIVATIVE CALLED NOMAD (NAVAL

Operations and Maintenance Aviation Deck). NOMAD is essentially a mine warfare support facility designed to permit airborne mine countermeasure operations to be conducted without the need for a dedicated USN ship. The NOMAD complex would consist of 450 vans and cost approximately $30 million.

In FY 86 Congress added $3.9 million for procurement of NOMAD material. In FY 87 an additional $8.0 million was provided in the Guard and Reserve procurement account for "Airborne Mine Countermeasure Equipment". Unfortunately, this money had to be utilized to procure MK 105 minesweeping sleds which were not provided for our mine countermeasure squadron HM-18 at Norfolk.

As a result, NOMAD was not funded in FY 87 or FY 88. The FY 89 amended budget contains no funding for ARAPAHO.

The Naval Reserve Association has long been a strong supporter of the ARAPAHO system. Although successfully demonstrated in the United States and proven in combat operations by the British, the concept remains essentially unfunded. The fact of the matter is that after almost twenty years of development and continued Congressional funding and support there is not even a set of production quality blueprints to show for this long effort.

Recommendation

The Naval Reserve Association recommends the addition of $15 million in FY 89 specifically fenced for ARAPAHO/NOMAD development and procurement of the first NOMAD facility.

Reserve Personnel

There has been much discussion relative to the effect significantly reduced budgets would have on Selected Reserve and strength. Although much has been said about Reserve personnel reductions, what has actually occurred is a

LEVELING OFF AT EXISTING END STRENGTH. THE REVISED BUDGET FUNDING WILL NO LONGER SUPPORT THE PREVIOUSLY PLANNED RAMP UP TO NAMOS REQUIREMENTS BY FY 92.

IN FY 89 END STRENGTH REQUESTED IS 126,545, DOWN FROM THE 132,998 PLANNED A YEAR AGO, BUT SLIGHTLY HIGHER THAN THE FY 88 LEVEL OF 125,889. SIMILARLY, FULL TIME SUPPORT END STRENGTH DOES NOT INCREASE AS PLANNED BUT REMAINS CONSTANT FOR FY 88 AND FY 89 AT 21,991.

THE FY 89 BUDGET PROVIDES SUPPORT FOR THE ENHANCED SEL RES BONUS PROGRAM BUT DOES NOT FUND THE UNIT INCENTIVE PAY PROGRAM.

RECOMMENDATION

THE NAVAL RESERVE ASSOCIATION SUPPORTS EFFORTS TO MAINTAIN SELRES END STRENGTH AT CURRENT LEVELS. HOWEVER, THE ASSOCIATION STRONGLY URGES THAT THE MODEST FULL TIME SUPPORT GROWTH OF 1160 REQUESTED IN THE FY88/FY89 BUDGET SUBMISSION BE ADDED TO THE FY89 AMENDED BUDGET REQUEST. ADDITIONALLY, THE UNIT INCENTIVE PAY BONUS PROGRAM SHOULD ALSO BE FUNDED IN FY 89.

PREPARED STATEMENT

Senator SASSER. We will turn now to Senator D'Amato.

Senator D'AMATO. Mr. Chairman, thank you, and in the interests of time, I know you have a long schedule, and I have another committee hearing. I would ask that I be permitted to submit my statement as if read in its entirety.

Senator SASSER. It will be included in the record.

[The statement follows:]

PREPARED STATEMENT OF HON. ALFONSE D'AMATO

U.S. SENATOR FROM NEW YORK

Mr. Chairman, I welcome our witnesses to this hearing.

In this year of fiscal austerity for the Department of Defense, it is imperative that this committee hear from all knowledgeable sources to decide how to get the most out of the defense dollar.

I am confident that all of our witnesses will welcome the commitment that the Department of Defense has given to our uniformed men and women. While we make difficult cuts in all parts of the budget, it is important that our service men and women are treated well. It is my hope that Congress will support the 4.3-percent pay raise requested for our Armed Forces. Support programs must also be maintained at current levels to keep morale high and assure an effective fighting force for the future.

In addition to supporting those on active duty we must reinforce our commitment to the Reserves and National Guard. While we become less reliant on our nuclear forces, the Guard and Reserve element take on an increased role in showing our resolve for the free world. In addition, they are a very cost-effective way of maintaining our defense posture.

I look forward to hearing from all our witnesses and working with them in developing a sound and effective national defense.

Thank you, Mr. Chairman.

ASW PROBLEMS

Senator D'AMATO. Thank you for your graciousness, Mr. Chairman.

Senator SASSER. Thank you very much, Captain. We appreciate your views here today, and I am acutely aware of the problem with the ASW airplanes with regard to the Reserve, and we are going to be looking very closely at that.

Captain BUESENER. Thank you, sir.

Senator SASSER. Thank you.

RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

STATEMENT OF MAJ. GEN. EVAN L. HULTMAN, AUS (RET), EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

READINESS OF RESERVE FORCES

Senator SASSER. Our next witness is Major General Evan L. Hultman from the Reserve Officers Association.

General Hultman, welcome to you. We look forward to hearing your testimony this morning.

General HULTMAN. Thank you, sir.

Senator Sasser and distinguished members of the committee staff, it is an honor and a privilege for me on behalf, personally, of the men and women of all the uniformed services who are representative in the Reserve Officers Association to have this opportunity to address you very briefly this morning.

I appreciate having this opportunity to address the fiscal year 1989 Department of Defense appropriations, particularly to the readiness of the Reserve forces. I want to deal just very briefly with the concept and then with three very brief illustrations.

In past years, the Reserve Officers Association has certainly encouraged, along with my colleagues here today, to satisfy the personnel needs and to provide better and more modern equipment to the Reserve forces and components as an economical way to maintain the readiness of the Armed Forces, especially in a very precarious world, that seemingly with every day's events becomes even more precarious. While the threat to our national security is in no way diminished, as these events clearly personify, the amended fiscal year 1989 Defense budget requests have been significantly reduced in significant areas in terms of the Reserve environment, and thus, the wisdom of providing needed resources to the Reserves has become even more apparent, and it is with that equation that I want to deal very briefly, and these very brief specifics.

It is well known that the Reserve forces are the most economical source of units when they are properly manned, when they are properly equipped, and when they are properly trained. The Reserves have repeatedly demonstrated that they can do the job under these circumstances.

At a time when it has become politically necessary—and all of us appreciate what those realities are—to reduce defense spending, reliance on the Reserve is especially more meaningful, and that means providing them effective, up to date equipment, and my colleagues in terms of the Navy has just referred to some of those instances.

ROA at this moment, once again, wishes to thank you and your colleagues, the Members of Congress, for their personal involvement in these programs and thank you for the significant gains that have been made in modernizing the equipment of the Reserve forces especially in the last few years, because to a great extent—and I want to emphasize this—this has been initiated by Congress, by Congress itself, and not by the Pentagon budget requests. And thus, at this moment, ROA is concerned that, having been assigned additional missions and responsibilities on the Reserve side of the spectrum—and that is going to continue, and it must continue in this budget crisis. The Reserve forces will now be expected to accept across-the-board reductions or a fair share of those reductions in these cuts.

But I would emphasize to you, the Congress, once again, and to you, the leaders of this committee, it is our contention that in this equation that very honestly and very fairly, if the Reserve components are going to continue to be given more missions, as we think they are and as we think they should, that they cannot at the same time be given a proportionate cut, because a proportional cut is not a proportional cut under those kinds of circumstances because, as we know, the percentage of the assets which are received in the first place are on a very, very decreased basis, but if additional missions are to come, and they must, then additional resources must come with it if the Reserve forces are to have a fair opportunity in order to meet the challenge of those additional missions.

FORCE STRUCTURE

Traditionally, force structure is transferred to the less expansive Reserve components to preserve it for future contingencies. The saving is made by placing it in the Reserve. However, when we get these mission transfers, they are not always accompanied by those three ingredients that are critical, and I want to illustrate just very briefly those three.

PERSONNEL

One, in the case of personnel—and I know this is not the place in terms of personnel, but I wanted to mention in the case of the Navy Reserve and in the case of the Marine Reserve, that lack of full-time support is still a very, very critical problem there, and I know that it is not the primary responsibility of this committee, but I would be remiss if I did not bring that to the attention of this committee as well as the proper committee as we have already done.

AIR FORCE RESERVE EQUIPMENT

In the case of the Air Force, in terms of equipment, it has been noted here in terms of the Navy equipment. Let me deal just for a moment with the Air Force Reserve equipment. In the highly competitive Air Force worldwide gunnery competition, Gunsmoke, just recently, I think it is noteworthy that the first, the second, and the fifth places in individual top guns, the top gun category, were taken by reservists, which is proof that with the equipment and with the training they can do the job. And in fact, one of The great things that came out of this was the publicity recently in Time magazine where it was recognized and pointed out.

But without the proper funding——

Senator SASSER. If I could interrupt you——

General HULTMAN. And that is the last illustration. I wish to conclude.

Senator SASSER. But General, top gun in what, with regard to tankers?

General HULTMAN. No, no; this is with the F–16 fighters.

Senator SASSER. I see, the fighter planes.

General HULTMAN. I am sorry, sir, that I did not explain that. Yes; that is the top gunnery of our Air Force itself, the F–16's themselves, and in that competition, in that worldwide competition, reservists were first, second, and fifth, which proves the point that I am trying to make, with the proper assets, first, in the case of personnel, and second, in the case of equipment, they can meet the standard.

OMAR FUNDING

But now, on the bottom line, and the last one I wish to refer to is that of funding in OMAR, and I sat here when you challenged and brought forth a problem at a recent hearing in OMAR, and I want to state to you that in the area of OMAR, in the case of the Army Reserve, in our judgment, it is the most critical need of all. They are down 19.9 percent, almost 20 percent in OMAR from the original Presidential budget request and, in fact, at this very moment, in fiscal year 1989, those requests are down 8½ percent from last year.

And so I say to you point blank, flat out, that without the proper funding there, there is no question that we are not going to be able to meet the challenge on the Army Reserve side of the House, of the challenges of not only additional missions, but just the present mission.

In conclusion, recognizing the inherent savings that are in the Reserve force structures, we encourage this Congress and you, the members of this very critical committee, to continue to assure that essential manpower, essential equipment, and the essential operating funds be authorized to preserve the required combat readiness of the total force, and if the Reserve is going to continue to get more of those missions, then we cannot have a fair share cut; we have got to have enough of those assets to meet the standards, because otherwise, we are then placed in the position that some even would like us to be in at various times, that the Reserve is not competent or capable to meet the missions that have been assigned to them.

Thank you very much.

[The statement follows:]

Reserve Officers Association of the United States

Statement of

Major General Evan L. Hultman, AUS (Ret.)

Executive Director

Mr. Chairman and Members of the Committee:

On behalf of the many men and women from all of the uniformed services who are members of the Reserve Officers Association, I appreciate having this opportunity to address the FY89 Department of Defense appropriations pertaining to the readiness of the Reserve forces.

In the past years, the ROA has encouraged Congress to satisfy the personnel needs and to provide better and more modern equipment to the Reserve Components as an economical way to maintain the readiness of the armed forces in a precarious world. While the threat to our national security has in no way diminished, the amended FY89 defense budget request has been significantly reduced. Thus the wisdom of providing needed resources to the Reserve has become even more apparent.

It is well known that Reserve forces are the most economical source of units when they are properly managed, equipped and trained. The Reserves have repeatedly demonstrated that they can do the job. At a time when it has become politically necessary to reduce defense spending, reliance on the Reserves is especially meaningful, and that means providing them effective equipment.

ROA wishes to thank the Congress for personnel programs and for the significant gains made in modernizing the equipment of the Reserve forces during recent years. To a great extent, this has been initiated by Congress, not Pentagon budget requests. ROA is concerned that having been assigned additional missions or responsibilities, the Reserve forces will now be expected to accept across-the-board reductions or a "fair share" of the cuts. It is our contention that the Reserve Components should be provided more resources, not less, when the active forces are cut.

Traditionally, force structure is transferred to the less expensive Reserve Components to preserve it for future contingencies. The saving is made by placing it in the Reserve. However, mission transfers are not always accompanied by essential manpower required to effectively manage force growth, the equipment necessary to assume maintenance of combat capability, nor the funding to train the force to required readiness levels. If, having served as the vehicle for attaining a cheaper force structure, subsequent budget and manpower cuts are applied equally to the Reserve and the active forces, combat capability and readiness must suffer.

The Congress and the Administration agreed in a budget compromise in November 1987 that the Department of Defense would receive $294 billion in outlays for FY89. We understand and appreciate the ramifications of the budget agreement, but within the budget constraints, we urge the Committee to reorder the priorities of the amended FY89 DoD budget request to adequately fund the added missions and responsibilities of the Reserve Components. Recognizing the inherent savings in the Reserve force structure, we encourage the Congress to assure that essential manpower, equipment and operating funds be authorized to preserve the required combat readiness of the Total Force.

Army Reserve

The Army Reserve (USAR) is an integral part of the Total Army which requires highly trained, rapid deploying forces capable of deterring aggression on a broad spectrum of conflict. Today, with increased missions and heightened mobilization readiness, the Army Reserve deploys in many instances well before its active counterparts. Gone are the days which offered lengthy post-mobilization training periods. Gone are the days when the Army Reserve was considered primarily a source of replacements and fillers.

Today's Army Reserve must be trained and equipped now for mobilization and deployment. Preparing for this war mission has increased the administrative and logistical burden on the unit commander. His available time which should be focused on training for war is subsumed in personnel records keeping, pay problems, conduct of over-40 screening, HIV testing, tracking Reserve Center property, and other programs. The unit commander focuses on these areas because they are also areas for inspection during the Annual General Inspections. Combat readiness is being denigrated for peacetime administrative readiness.

Administrative readiness is also a myth. There are thousands of Reserve soldiers each month whose pay is not processed correctly. Bonus payments and VA benefits are delayed unnecessarily because systems do not support the soldier. This contributes to Army Reserve units facing approximately one-third turnover in personnel each year.

Accordingly, the Army Reserve has developed a concept (the Command Support Center) which it believes will improve its management and readiness by removing the peacetime unique administrative burden from the unit commander, permitting him or her to spend more time planning, preparing and supervising training for mobilization. The CSC concept provides for assigning full-time personnel, primarily military, to troop units to provide full-time assistance to the commander to better organize, plan and train in all functional areas in the unit. The Command Support Center is a support activity, located in each USAR Center, which provides Base Operations (BASOPS) support to the tenant units of that center. It is formed primarily by those Army Reserve Technicians who currently perform the majority of those peacetime functions in the resident units.

The Command Support Center concept would offer the following major improvements:

- Provide Reserve commanders with an organization structure fitted to mobilization readiness requirements.
- Release unit commanders from administrative duties to train their unit.
- Align the technician force to support activities.
- Align the full-time military force (AC and AGR) to training and mobilization preparedness activities.
- Provide career enhancement opportunities within the technician program.

Today, increased missions and heightened mobilization readiness finds the Army Reserve deploying along side -- not well after its active counterparts. The Army's unprecedented and fully justified reliance upon its Reserve Component has been due, in large part, to the effectiveness of its Full-Time Support Program.

Congress has been highly supportive in this increased role and modernization for the Army Reserve by providing the funding for new equipment, full-time Reservists and increased unit strengths. While supportive of the Army Reserve's increased role, the Congress has for the past several years included language in its annual Department of Defense appropriations bill that has restricted the Army's initiatives to more efficiently manage the Army Reserve technician portion of its full-time support force.

The technician program is a critical part of the Army Reserve Full-Time Support Program, but was designed to support an Army Reserve that was much smaller and deployed 60 to 90 days after its active counterparts. The Technician Program remains as it was in the early 1950's.

Increasingly tightened budgets dictate changes in the way the Reserves must do business. Every aspect of the Reserve's operation must be as efficient as possible. Accordingly, the Army Reserve seeks to improve its management and readiness by removing the peacetime unique administrative burden from the unit commander permitting him or her to spend more time planning, preparing and supervising training for mobilization. Based on the Army's own evaluation and the recommendations of the General Accounting Office, the Army Reserve has developed a test plan for restructing its full-time support program to make it more responsive and cost effective to the expanding role that the Reserves must play in today's Total Army. The Army believes that this proposed restructuring will give the Army the programmatic flexibility it needs to provide significantly improved full-time support at all Reserve organizational levels. Restructuring will also enable the Army to apply recent improvements in Reserve administration and automation systems such as the Reserve Component Automation System (RCAS).

The Army Reserve is seeking committee approval to conduct a limited test of the full-time support restructuring. The test, which would take about 24 months and would be limited to three major US Army Reserve Commands, would allow the Army to evaluate and modify its concept based upon actual experience, measuring productivity and readiness, and would also allow its military technicians to study and evaluate the effect its proposal would have on their status and careers.

The Army Reserve needs continued support and emphasis on benefits to make service attractive. Incentive Programs are a must. The Army Continuing Education System (ACES) provides various educational opportunities to enlisted soldiers and commissioned officers who attend school part-time (e.g., high school completion and part-time post-secondary school) and are not covered by the Montgomery GI Bill. Commissioned officers incur a four year Selected Reserve service obligation following the last ACES supported class. Our need in the area is a legislative change to permit AGR officers and all warrant officers to receive tuition assistance.

The Montgomery GI Bill is a most valuable entitlement and provides benefits to our soldiers and airmen who are attending undergraduate college on a half-time or more basis. ACES provides tuition assistance to soldiers who attend college on a less than half-time basis as well as many low-cost high-impact educational opportunities that the Montgomery GI Bill doesn't cover (e.g., high school completion, college credit by examination, and college credit by evaluation). These two programs complement each other in covering the educational spectrum and are very useful.

While budget constraints in constructing the Army Reserve's portion of the FY89 amended budget submission caused the request for end strength growth to be zero, the requirement for PDS and AGR growth remains. A modest PDS and AGR growth in FY89 along with maintaining the authorization for the FY88 MilTech end strength in FY89 would allow the Army Reserve to continue the key new structure growth and fill in some of those critical areas in the existing structure that were either not filled or targeted as offsets for the new structure. Structure requirements and affordability would suggest a growth of 2,000 PDS and 350 AGR.

Changes to Title 10, USC were recommended by the Reserve Component General Officer Advisory Review Board and the Secretary of the Army. These changes would:

1. Allow Reserve Generals to be temporarily on active duty without requiring that an active General Officer slot be vacated.

2. Improve the efficiency of the General Officer selection boards by not requiring that a Reserve General Officer be reviewed by two boards for the same promotion.

3. Remove the requirement that a full Colonel be assigned into a General Officer position before he or she is eligible for boarding and selection as a General Officer.

The Army Reserve is an integral and essential part of the Total Army. In the fiscally constrained times ahead, your continued support is necessary for the Army Reserve to continue to provide trained units and qualified individuals to meet the nation's requirements.

Air Force Reserve

The Air Force Reserve (AFR) continues to set the standards for combat readiness and effectiveness of Reserve forces. All flying units are now combat ready and can be mobilized in 24 hours. With the modern equipment provided by the Congress in previous years, AFR units and individuals have again demonstrated their excellence in 1987.

In the highly competitive Air Force world-wide fighter gunnery competition, GUNSMOKE, the first, second, and fifth places in the individual "Top Gun" category were taken by Reservists from the 419th Tactical Fighter Wing. The 419th is an F-16 equipped AFR unit at Hill AFB, Utah that finished second out of 18 fighter wings in the overall standings.

Another example of the capability of Reservists to make the most of modern equipment is in the C-130H units, equipped by the Congress with add-ons to the DOD budget. The Dobbins AFB C-130H unit won the world-wide airlift competition in 1986 and the Maxwell AFB unit had the highest C-130 score in 1987. There is no doubt that the taxpayers receive top value for their dollars when the AFR receives modern equipment and the resources to train to combat ready status.

A Reserve team comprised of members of the Rescue units at Homestead AFB, Florida and Portland, Oregon won the best overall award at the International Search and Rescue Exercise. However, even these outstanding individuals are limited in their operational capability by their pre-Vietnam era H-3 helicopters. Modernization with MH-60G helicopters, as the Congress accomplished for the Air National Guard last year, would provide a dramatic increase in supportability and capability. ROA urges the Congress to add funds for 18 MH-60G aircraft to the FY89 AFR budget.

Despite their excellent training and demonstrated combat capability, AFR aircrews need equipment to improve their ability to penetrate sophisticated enemy defenses. The AFR's tactical fighter units lack the capability to survive in an electronic warfare environment because of a shortage of Electronic Counter-Measures (ECM) pods. AFR tactical and strategic airlift aircraft have no ability to detect or counter enemy radar or infrared missiles. The AFR is currently initiating a program to provide limited defensive capability for its fighter and airlift aircraft with funds added by the Congress to the FY88 budget. Again, we urge the Congress to continue this initiative by adding $45.9 million to the FY89 AFR budget.

ROA is concerned that budget constraints have resulted in the Air Force's proposing to "double dip" the AFR in its zeal to meet the FY89 spending limits. Significant savings are made when force structure is transferred to the Reserve Components. We ask that these savings not be "double dipped" by applying so-called "fair share" across-the-board cuts to the AFR and active force structures and appropriations.

For example, the Air Force's proposed reduction of aircraft and crew positions in the Air Reserve Forces will result in putting combat ready aircrews "out on the street" at the same time the Air Force is requesting 54 million dollars in bonuses to help stem the hemorage of pilots from active duty. Common sense would suggest that there should be more pilot slots in the Reserve, not fewer, to retain some of these highly trained and combat critical individuals in the Total Force. The taxpayers have at least six million dollars invested in each Air Force fighter pilot, yet the proposed deletion of an entire Air Reserve Force fighter wing equivalent (72 aircraft/90 pilots) will save only sixty million dollars a year.

The other ingredients of combat capability must also be adequately funded to have a force that can meet the threat. Reserve personnel, full-time support personnel, Operations and Maintence accounts are all essential to continue the outstanding status of the Air Force Reserve.

The Air Force Reserve continued to grow in FY87 to an end strength of 80,415. Despite recent budget reductions, the AFR unit end strength is programmed to increase 70 percent from FY76 to FY94. The transfer of missions and addition of new missions is responsible for this growth. However, the ratio of full-time support personnel to unit end strength has declined from 25 percent to 20 percent. This committee has recognized the vital contribution to AFR combat capability made by military technicians and other full-time support personnel, and we urge your continued support for growth in this essential infrastructure.

The Congress and the Administration agreed in a budget compromise in November 1987 that the Department of Defense would receive $294 billion in outlays in FY89. We urge the Congress to reorder the priorities in the FY89 DOD budget to retain the maximum combat capability in the Total Force by taking advantage of the cost savings inherent in the Reserve components.

NAVAL AND MARINE CORPS RESERVE

The Naval and Marine Corps Reserve personnel programs show no growth from the end of FY88 to the end of FY89. If rumors are true, this "freeze" may extend throughout the Five Year Defense Plan (FYDP). This situation is totally incongruous with the assignment of new units and equipment modernization which are also planned for these components. The impact of the freeze in the number of Full-Time Support (FTS) personnel is particularly disturbing. Increases in FTS end strength last year were reduced dramatically by Congress. The FTS growth request was cut in half in the case of the Naval Reserve and reduced by 70 personnel in case of the Marine Corps Reserve. The new units are still standing up, but in some cases without the necessary support personnel and in other cases the active force has had to reallocate military end strength to support the Reserve component at the expense of active force units. Both situations are unsatisfactory. The reductions imposed last year and the freeze proposed for FY89 must be corrected. Therefore, ROA recommends an increase in FTS end strength for FY89 of 750 for the Naval Reserve and 270 for the Marine Corps Reserve.

Although the growth in Selected Reserve drilling personnel is also proposed to be frozen at FY88 end strength level, this situation is not as critical as the FTS freeze since, under these circumstances, the components will be better able to focus on improving the match of skills of the individual Selected Reservist and his or her mobilization billet. This skill mismatch has been an item of concern within both components and their leadership is taking aggressive action to improve the training received by Reservists. Unfortunately, the lack of required FTS personnel has a very negative impact on achieving planned training improvements.

One way to improve overall effectiveness of training is to reduce the demand for training as much as possible. Reducing personnel turn-over is an obvious way to reduce the demand for training and, at the same time, increase unit readiness (more unit personnel will be in a "fully trained" status). The administration has, for the past several years, requested authorization to pay a modest Unit Incentive Pay ($10 per drill) to enlisted members of hard-to-man units. The primary example of such units are the Naval Reserve ships. This proposal is not included in the FY89 Amended Budget Submission since it was not adopted by Congress last year, as requested, and would again require earmarking of very scarce fiscal resources. Said another way, DoD was not willing to hazard even the relatively small amount of funding required for this incentive because Congress failed to support this initiative last year. The rationale for failure to approve last year was apparently to wait for the results of the Sixth Quadrennial Review of Military Compensation (6th QRMC) since this group was reviewing all Reserve compensation. We are still waiting for the report of the 6th QRMC which, apparently, will recommend implementation of Unit Incentive Pay on a test basis in 1990. ROA strongly recommends that this test start in FY89. All indications are that Unit Incentive Pay will be an effective management tool, it should not be denied to Reserve managers any longer than necessary.

COAST GUARD RESERVE

The modest growth in Selected Reserve strength requested for the Coast Guard for FY89, a 13,000 end strength, although an increase of 1,000 from the level funded for this year, is still 500 less than requested for last year and 1,000 less than authorized by Congress for FY88. Even more telling is the fact that a Coast Guard Selected Reserve strength of 13,000 is only 48 percent of mobilization requirements. In addition, it appears that the all too gentle slope of programmed growth will not permit the Coast Guard Reserve to reach 90 percent of requirements until the end of 1997.

This committee has been very sensitive to this glaring deficiency and included in the FY88 Department of Defense Authorization Act a provision stating that the Secretary of Transportation shall submit to the Congress "... a plan to enable the Coast Guard to meet 95 percet of its wartime mobilization requirements by September 30, 1998." This plan was due to Congress within 60 days of enactment of that law. To date, the required report has not been submitted. ROA recommends that Congress reaffirm the requirement for this report and then hold the administration to the timely achievement of the required Coast Guard Selected Reserve strength levels.

GENERAL PERSONNEL ISSUES

RESERVE OFFICER PERSONNEL MANAGEMENT ACT (ROPMA)

The need for legislation addressing appointment, retention, promotion and retirement of reserve officers is crucial to the management of the Reserve component. When the Defense Officer Personnel Management Act (DOPMA) was adopted in 1981 for the active component personnel, it was understood that ROPMA would follow as a counterpart to replace ROPA (the Reserve Office Personnel Act). ROPMA was introduced in the 99th Congress but died in Committee. The Department of Defense sent the ROPMA proposal back to the Congress 8 May 1987.

On 25 January 1988, Congressman G.V. (Sonny) Montgomery introduced ROPMA as H.R. 3856 and the bill was referred to the

House Armed Services Committee. On 26 January, Mr. Montgomery announced his introduction of H.R. 3856 before 500 Reserve officers at a Reserve Officers Association Mid-Winter Conference at the Washington Hilton. The Reserve officers responded to the announcement with a prolonged standing ovation.

In its FY87 Annual Report of the Reserve Forces Policy Board, the Reserves Forces Policy Board states that "Among other issues, ROPMA would:"

* provide common statures for all reserve components regarding appointment, promotion, separation, and retirement of reserve component officers.

* establish a visible, uniform, and improved personnel management system for reserve component officers not on the active duty list.

* provide the flexibility to be responsive to changing officer requirements.

* provide a balance between management objectives and equitable treatment of individual career expectations, including an attractive career progression for reserve component officers.

In its conclusion, "The Board recommends that passage of the proposed ROPMA legislation be given priority by the Congress".

It is our understanding that the respective subcommittees of both the House and Senate Armed Services Committees intend to consider ROPA during this session of the Congress, but the subcommittees have exhibited some trepidation. While there are those who perhaps cannot embrace the total proposal enthusiastically, there is a real need for legislation, and ROA is unaware of any organized opposition to the proposal. We are very anxious for the subcommittees to get on with their consideration of the measure and will be happy to work with the members and staff in evaluating the potential impact of the proposal on the Reserve forces.

RESERVE MEDICAL COVERAGE

Over the past several years the Congress has made great strides in equalizing the medical benefits for Reservists and their survivors in the event a Reservist becomes ill, is injured, or killed while traveling to or from training or while participating in weekend drills or on tours of less than thirty days. We appreciate what you have done for this important element of the total force and believe that the increased reliance that is being placed upon the Reserve Components made it essential that they be provided with equal medical, disability, and survivor benefits. As can frequently happen with such a comprehensive legislative overhaul, there are certain minor examples of where new inequities have been created that we would encourage the members of this Committee to look at. For example, a student, after paying tuition for the school year, may suffer a financial loss if he is unable to attend class because of a Reserve duty related injury; since he has not suffered a loss in "pay" he is ineligible for reimbursement of his educational investment. To repeat, ROA appreciates what the Congress has done in this area over the past few years and believes that only minor fine tuning of the problem remains to be addressed.

MEDICAL SHORTFALLS

As the Reserve Forces Policy Board stated in its annual report on the Reserve Component Programs for FY 1987, approximately two-thirds of the medical care required during a major conflict in which the U.S. may be involved will be provided by Reserve Components. The Army National Guard and Army Reserve provide about 69% of the total Army's personnel in health related skills and units. The Naval Reserve provides nearly 58% and the Air National Guard and the Air Force Reserve contribute 33% to their respective services' health care needs. Therefore, the readiness of these Reserve Component medical forces is critical since so many of them will be required in the early days of a conflict. For this reason we hope that this Committee, as it addresses the medical shortfalls that currently exist, will work with the services to address methods by which the Reserve

Components may reduce their shortages. For example, as reported by the Reserve Forces Policy Board, the Reserve Components are short approximately 7,100 physicians, 31,000 nurses and 73,000 enlisted health specialists in their wartime requirements. Even though the Congress has enacted incentives to attract and retain health professionals in undermanned skills, we are concerned that these shortages will continue if new and creative recruitment and retention procedures are not adopted. ROA hopes that the members of this Committee will work with the health professionals in the different services in establishing such new and creative programs to solve some of the shortage which currently exist among our Reserve Component medical professionals. In the past, ROA has testified that we believe that a health care professional special pay program for Reserve personnel should be considered as part of an overall plan to reduce existing shortages. As you know, such a special pay was enacted for active duty health care professionals by the 96th Congress but the Reserve Components were not included. ROA believes a special pay incentive program, when coupled with other initiatives, could have the same beneficial effect on recruiting and retention for the Reserve Components that PL 96-284 had for the active duty force.

CHAMPUS REFORM INITIATIVE

We note that a limited test of the CHAMPUS Reform Initiative (CRI) will begin later this year and we look forward to seeing an evaluation of its effectiveness after it has been in operation over a reasonable period of time. ROA applauds the objective of providing better health care at lower costs to both the government and the beneficiary and we urge the Congress to thoroughly evaluate the results of this limited implementation before permitting the Department of Defense to expand the concept beyond the area where it will be initially tested. We hope this Committee will, in particular, consider the military health care beneficiary who is not CHAMPUS eligible to determine what impact CRI has on the availability of treatment in the military health care system.

GI BILL

ROA was quite pleased to see the Congress enact legislation last year to make the new GI Bill permanent legislation. We believe that the Montgomery GI Bill is good not only for the services and the individual service member but is also good for our country. We note that legislative progress is currently being made in fine tuning the Bill in order to address some of the short comings which have become evident with the passage of time. We hope that needed improvements, such as a mechanism by which a service member or his family may be compensated if through medical disability or death the service member is prohibited from participating in the benefits of the program, will be enacted in this session of Congress.

SIXTH QUADRENNIAL REVIEW OF MILITARY COMPENSATION AND MILITARY RETIREMENT

ROA is very interested in seeing the final report as submitted on the results of the Sixth Quadrennial Review of Military Compensation since it is focusing on the Reserve Components. As a general principle, we believe that the current Reserve Component compensation system is basically fair and adequate; however, we recognize that a certain amount of fine tuning can well be justified and, therefore, we look forward with interest to seeing just exactly what recommendations, if any, are sent to the Congress based upon the extensive work that was devoted to this review of military compensation.

Since a great deal of the effort of the Sixth Quadrennial Review of Military Compensation was devoted to the Reserve retirement package, we look forward in particular to seeing the report that is submitted to the Congress on this program. It would be premature at this time to comment on any proposed changes. But if changes are recommended, ROA will be happy to work with this Committee in evaluating the potential impact if such changes were enacted into law. We find it significant that at the very time recommended changes to the Reserve retirement program are being prepared for submission to the Congress that the CBO, in its March 1988 report to the Senate and House Committees on the Budget, offers an option of terminating the Reserve retirement program for those entering the Reserve Components after the end of Fiscal Year 1988. ROA believes such a proposal to be totally unrealistic and would call the Committee's attention to a report issued by the Defense Manpower Data Center based on the 1986 Reserve Components Surveys. This report lists retirement as one of the major retention factors for Reserve personnel, as well as one of the major incentives for individuals leaving active duty to become active in the Reserve. For example, sixty-five percent of the enlisted personnel with prior service listed retirement as a major contributor compared to only thirty-six percent of the enlisted personnel without prior active service. Sixty-nine percent of the officers with prior service and fifty percent without prior service offer retirement as a major factor in retention decisions. Statistics like this confirm our opinion that Reserve retirement, which ROA worked for forty years ago, is and will continue to be a key factor in retaining the high quality personnel that are needed in the Reserve Components.

RESERVE COMPONENT SURVIVOR BENEFIT PLAN

The FY '86 Defense Authorization Bill established a two-tier Survivor Benefit Plan for those who first became retirement eligible on or after 1 October 1985. Under the two-tier plan a survivor would receive 55% of retired pay up to age 62 and 35% thereafter. The new two-tier plan eliminates the Social Security offset. However, by imposing an automatic reduction of the annuity to 35% at age 62, the new plan makes a mandatory cut in the annuity for all SBP recipients. Reserve Component survivors are the ones most adversely affected by this change. Under the old system a Reservist who paid maximum Social Security taxes each year in his civilian employment, and thus had no military pay contribution to FICA, was providing an unreduced annuity for his survivors. Under the new system the survivor of a Reservist who had no Social Security credits based upon military service will still suffer an annuity reduction from 55% to 35% at age 62. We believe that this arbitrary formula unjustly impacts on this group of survivors and recommend that the Committee reexamine the Survivor Benefit Plan changes with a goal of eliminating the two-tier system.

Thank you for the opportunity to present ROA's views on these important subjects. Your support for the men and women in uniform, both active and Reserve, is sincerely appreciated. I will be happy to answer any questions you might have.

AIRCRAFT MODERNIZATION

Senator SASSER. Well, thank you very much, General Hultman, and I must say that you have a sympathetic ear as far as this committee is concerned.

You will recall I called this problem of O&M funds to the attention of the Army Chief of Staff and the Secretary of the Army when they testified before the committee, I think 2 or 3 weeks ago. I do believe that as we get into an era of more stringent defense budgets, and whether we like it or not, I think that is going to be the wave of the future, at least in the short term, then I think the most cost-efficient expenditure of our defense dollar is in keeping the Guard and the Reserve operating at their maximum proficiency, and with regard to cuts, each, the Reserve, the Guard, and the Active Force taking their fair share of the cuts, it appears to this Senator that when the cuts were apportioned, that the Reserve and the Guard were asked to take an unfair share of the cuts.

And it is my view that we are being penny wise and pound foolish in doing that, and I am presently embarked on a program of trying to convince the Air Force to modernize the aircraft that many of our Air Guard units are operating with now—we have got units in my State with old C–130A model aircraft that over half of a squadron has to fly with severe restrictions because of wing cracks. That is ridiculous.

They need to have new, modern aircraft. And I think a large portion, for example, of the strategic airlift could be transferred to the Air Guard. I am delighted to hear about these F–16 Reserve pilots being designated as Top Guns because it has been my experience that a Reserve, properly equipped and properly motivated, many times can perform either on the level with the Active services or outperform them.

So you have got a sympathetic ear here.

Senator DeConcini?

Senator DECONCINI. I have no questions, Mr. Chairman.

Senator SASSER. Thank you very much, General, for appearing here this morning. We appreciate your testimony.

General HULTMAN. Thank you very much, sir.

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

STATEMENT OF LT. GEN. LAVERN E. WEBER, EXECUTIVE DIRECTOR, NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

ACCOMPANIED BY GENERAL BOB JOHNSON

NATIONAL GUARD READINESS

Senator SASSER. Now, our next witness is going to be Lt. Gen. LaVern Weber from the National Guard Association.

General Weber, are you accompanied?

Oh, this is Gen. Bob Johnson.

Where is General Johnson?

Do you want to join us here, General Johnson?

Who is going to do the testifying?

Maybe I am confused here.

General WEBER. He will answer all the hard questions.

Mr. Chairman, we appreciate very much the opportunity to appear before the committee.

Senator SASSER. Well, General Weber, just let me say we appreciate your testimony here today. You have done a good job, I think, over the years in supporting the National Guard. I know you have done a tremendous job of supporting it in our State, and we are proud of the work that you do there, and I think it is in the best interests of the Guard and the best interests of the defense of this country.

We are pleased to have you here, and you may proceed as you wish.

General WEBER. Thank you, sir.

It is indeed an honor to be here to represent the almost 600,000 members of the Army and Air National Guard, and specifically, I represent the 56,000 members of the National Guard Association of the United States.

I would like to say initially that, or extend my deep appreciation to the Congress and particularly to this committee for all that you have done for the readiness of the Army and Air National Guard over the years. Most of my comments will relate directly to problem areas in the Army and the Air Guard, but I did not want to overlook the opportunity to thank you for all that you have done for us.

I have submitted for the record, I hope, a rather lengthy and detailed statement to emphasize a number of problems.

Senator SASSER. That will be included in the record in its entirety, General.

General WEBER. I would like to talk just to a few of those.

MANPOWER

First, in the area of manpower—and this pretty much applies, sir, across the board—that we talk to current requirements and new requirements, and dealing back with the issues of General Hultman, that frequently our big problem is that we are still dealing with shortage of last year and 5 years ago, and as we address the new requirements that come along with new force structure and new demands, that it exacerbates the problem.

This applies to every area that I will talk with, particularly in the manpower arena. Over the past several years we have not received the funding approval for the manpower that we need in the Army and the Air Guard.

FULL-TIME MANNING

Specifically, our greatest single problem now is that of full time manning. Our full-time manning is greater than it was, still far below the requirements. The specific number in the Air Guard—we are about 3,000 full-time men short. In the Army Guard we are 19,000 short.

These are individuals that are absolutely required to meet the mission requirements that the Army and the Air Force have asked us to do.

EQUIPMENT

Turning to the equipment, again, we have made tremendous progress as a result of the Congress interference and assistance in helping us to acquire new equipment. However, we still have a major age problem in our equipment. Notwithstanding all of the new equipment that you have provided to us, we still have two-thirds of the fleet in the Air National Guard, two-thirds of them that are over 15 years old.

Within those that are less than 15 years old, we have the A-7's that require a significant amount of upgrading to make them the formidable machine that they need to be to meet the air threats and to perform their close air support mission in combat.

The -130A's, the Senator mentioned those, are a serious problem. They are nondeployable because, one, they cannot get there, and two, if they get there, they cannot be supported because we do not have parts in the system to support the -30's.

The RF-4C's, the most expensive airplane to fly and operate in the Air Force, we still have that in all of our reconnaissance aircraft. We have a very large responsibility to the Air Force for the reconnaissance airplanes, the reconnaissance mission. So it is indeed significant.

ARMY GUARD

Turning to the Army Guard side of the equation, notwithstanding there again all of the fixes that the Congress has provided, we still have only 72 percent of the required numbers, if you will, of pieces of equipment, and again, much of that is outdated and one of a kind.

We are headed for nothing but an M-60A3 fleet of tanks which there will be none in the Army. They will all be in the Army National Guard and in two battalions of the Army Reserve.

So we have the problem notwithstanding the fact that we have got more equipment, we still have significant amounts that are not modern and require a great deal of assistance in that area.

FACILITIES

Turning to facilities, there is one that is getting very critical for us, and it has been for a number of years. Congress has been very generous in providing roughly $150 million a year to each the Army and the Air National Guard. That does not address the new requirements that come on each year, and the current requirements dating back over the year, our backlog now is $900 million in the Air National Guard and $2.6 billion in the Army National Guard.

These are very critical facilities that we need to perform the mission that the Congress, the Army, and the Air Force has asked us to do.

FORCE STRUCTURE

The last item I will talk to is that of force structure reduction. This has caused us a great deal of difficulty. In your State, sir, the reduction of the –130 unit from 16 to 12, in Selfridge, MI, to reduce the A–7 unit there from 24 to 18, we are here losing 25 percent of the capability of those units for a small but somewhat significant amount of money of $8 million, what it will cost to keep—that is what the savings would be by those reductions.

These are combat ready units, notwithstanding the age of the equipment and those conditions, but we desperately need some relief on that particular thrust that appears to be throughout the Pentagon that we gain money by reducing combat capability, and I am not so sure—in fact, I am convinced that that is not the case.

In closing, again, I would thank you very much for the opportunity to appear here today. I would be happy to respond to your questions.

[The statement follows:]

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

STATEMENT BY

LIEUTENANT GENERAL LA VERN E. WEBER

EXECUTIVE DIRECTOR

INTRODUCTION

Mr. Chairman, and members of the subcommittee, I appreciate this opportunity to appear before you today to present the views of the National Guard Association of the United States on the status and readiness requirements of the Army and Air National Guard.

In the past our Association has been primarily concerned with filling the shortages in manpower, equipment, training resources and facilities that exist in the current and programmed National Guard forces. This year we have a new and probably more significant concern -- that is the potential loss of combat capability if deficit and budget reduction efforts result in force structure cuts in both the active and Guard/Reserve forces.

We certainly understand the need to reduce the deficit. We also recognize the need to maintain the most effective mix of active, Guard and Reserve forces. However, we must be certain that short term budget reduction actions do not reverse or eliminate much of the progress we have made during the past ten years in improving the quality and effectiveness of our combat forces.

During that period, few changes have been made in the size of our defense forces — that is in the number of combat units and associated manpower — except for some growth in the Navy. The majority of the defense effort has been in improving the quality of personnel, the on-hand levels and effectiveness of equipment and the combat readiness of the Total Force. Those efforts have paid off in significant improvements in defense readiness, although some manpower shortages and substantial equipment shortages remain. We are concerned that current actions being taken to reduce the deficit will result in a permanent loss of a large number of highly trained personnel, who we have worked so hard to recruit, train and retain in recent years, and a portion of the most cost-effective segment of the Total Force.

GOALS AND OBJECTIVES

The overall goal of the National Guard Association of the United States is to maintain the freedom and security of this nation by enhancing a strong national defense through the provision of a vital and dynamic National Guard as a part of the Total Force.

To achieve that goal, we believe the National Guard must be given the manpower, equipment, training resources and facilities necessary to meet the readiness requirements of the units and missions currently assigned to the Army and Air Guard. Additional units and missions should be assigned only if all resources are provided with the tasking and the missions can be performed in a cost-effective manner in the best interests of the Total Force.

STATUS OF THE GUARD

With help from the Army, Air Force and Congress, both the Army and Air National Guard have made significant progress toward improved readiness in the past several years. Approval of part of the requested full-time manpower increases, particularly in the Air Guard, has provided a large portion of the full-time support needed for day-to-day training and operations within the National Guard. Bonuses, educational benefits, such as the Montgomery GI Bill, and improvements in personnel benefits have all helped to improve the overall quality and level of manning in the National Guard.

The equipment programmed by the Army and Air Force, along with the additional equipment provided by Congress, has allowed many units to replace antiquated equipment, to provide initial equippage for new missions and to improve overall combat readiness. However, the Army Guard currently has only 72% of wartime required equipment on-hand and the Air Guard has approximately 92% of its required equipment.

A gradual increase in military construction funding has also provided many of the facilities required to accommodate new units, missions and equipment. However, the current level of funding is not sufficient to meet the annual facility requirements generated by aging facilities and utility systems and expansion of current mission requirements.

Critical shortages continue to exist in each of the categories essential to full combat readiness of the National Guard. We believe many of the gains we have made in the past few years will be jeopardized if the proposals to reduce both active and Guard/Reserve forces, beginning in FY 1989, are implemented.

The Guard and Reserve have historically been the means of maintaining combat capability when the nation was unwilling to maintain a large or adequate standing force. One method of maintaining that capability is to recruit into the Guard and Reserve a large portion of the highly trained, combat ready personnel that are being cut from the active forces to fill current Guard and Reserve unit vacancies. Of course, it is essential that the force structure currently within the Guard and Reserve be maintained so that additional personnel may be absorbed.

A second alternative would be to robust current units or place additional units and missions, along with the manpower and equipment, in the Guard and Reserve. This could be the most cost effective means of retaining the greatest level of combat forces within the available budget resources.

MANPOWER REQUIREMENTS

Probably the most important element in producing combat ready National Guard units is the ability to recruit and retain the required numbers of quality personnel. While the National Guard has been able to meet its approved manpower goals in recent years, increased reliance on the Guard has placed even greater demands on recruiting and retention to meet both the full-time support and total selected reserve strength requirements.

At the end of FY 1987, the Army National Guard had attained a total strength level of 451,858, including 25,237 full-time Active Guard/Reserve (AGR) members and 27,768 military technicians. The Air National Guard ended FY 1987 with a strength level of 114,595, of which 7,623 were AGR members and 23,049 technicians. In FY 1988, the Army Guard is programmed to grow to a total strength level of 457,270, with 25,725 AGR members and 28,120 military technicians. The Air Guard figures are 115,900 total strength, with 7,836 AGR and 23,530 technicians. Although both the ARNG and the ANG have existing backlogs of unfunded manpower requirements, the FY 1989 budget contains no further growth in the Army National Guard and the Air Guard has a reduction in total strength, with only a small increase in AGR strength, because of the proposed force structure changes to achieve deficit reductions.

The increased level of training and mission activities, which have developed as a result of the application of the Total Force Policy over the past fifteen years, have generated growing manpower requirements in both total drill strength and in the area of full-time support.

If a unit is to make maximum utilization of its limited training time, full-time personnel must be available to plan for, support and participate in unit training sessions and exercises. These personnel perform the day-to-day functions which must be accomplished if a unit is to be effectively trained during peacetime, i.e., personnel administration, supply accounting, equipment maintenance, and management and performance of daily operations. Full-time personnel are a basic element in producing readiness in Guard units.

The Army and Air National Guard have a mix of military technician and AGR personnel filling full-time support needs. The following table reflects the shortage of full-time personnel that will exist at the end of FY 1988 and FY 1989.

FULL-TIME SUPPORT	ARNG		ANG	
	FY88	FY89	FY88	FY89
DoD Validated Requirement	69,731	73,340	34,532	34,677
Authorized Mil Technicians	28,120	28,120	23,615	23,613
Authorized AGR Members	25,725	25,725	7,836	7,948
Shortage	15,886	19,495	3,081	3,116

The force changes reflected in the FY 1989 budget have been applied to the program, resulting in the small reduction in military technicians and the small growth in AGR strength in the Air Guard. However, the units and missions given to both the Army and Air National Guard during the past several years have not been fully resourced with either drilling members or full-time support manpower. In addition, the higher level of peacetime training and operational activity has resulted in a requirement for more full-time personnel, especially in the Army National Guard. The shortages will therefore be carried forward into FY 1990 unless corrective action is taken.

In its FY 1986 annual report to Congress, the DoD Reserve Forces Policy Board (RFPB) stated that "the readiness and the mobilization capabilities in all of the reserve components have shown vast improvements due primarily to the added emphasis provided by the full-time support personnel." In its FY 1987 report, forwarded by the Secretary of Defense on 2 February 1988, it further stated that "Growth in the FTS program is essential in order for the reserve components to meet their increased responsibilities and readiness as part of the Total Force strategy. Not only is growth required to support new units being activated with the reserve components, but it is also required for existing units." Data in the same report again shows a very close correlation between the percentage of full-time manning and the percentage of units mission ready (C-3 or better) in any component.

The RFPB also indicated that it opposes "any proposal that would mandate the replacement of AGR personnel with those from the active component ...". It went on to state "The AGR force is a dedicated professional force which makes a vital contribution to overall reserve component readiness by assisting drilling reserve component members to achieve and maintain their readiness requirements."

The National Guard Association believes the Army and Air National Guard must be provided the manpower needed to meet the requirements of the missions and units assigned to them, both drilling and full-time. We also believe the use of Guard AGR and military technician personnel is more cost effective, contributes to greater retention of highly-qualified and experienced personnel, develops unit cohesion and ultimately provides higher mission readiness than would a program of constant rotation of active service personnel into Guard units.

We urge the Congress to authorize and fund growth of 2,000 AGR and 2,000 military technicians in FY 1989 in order to reduce the shortage of full-time support manning in the Army National Guard. We also urge 791 drill strength, 57 AGR and 132 military technician positions be added for the Air National Guard, to reinstate airlift unit manpower inadvertently deleted during budget preparation and to provide the manpower necessary to support a Forward Air Control Post in Puerto Rico, as well as a new unit in Alaska and one in North Dakota which were directed by Congress in FY 1988. Finally, we urge the manpower related to the proposed force structure reduction be replaced if the decision to reduce Guard and Reserve units is reversed.

EQUIPMENT REQUIREMENTS

One of the most critical limiting factors to mission readiness in both the Army and Air National Guard continues to be equipment shortages. Although modernization continues through the efforts of the Army, Air Force and Congress, significant shortages remain. The RFPB report indicates that the shortage in equipment on hand at the end of FY 1987 for all Guard and Reserve components was valued at $14.7 billion.

Although the shortage had been reduced by approximately $1.5 billion from the prior year, it still represents a shortage of almost 20% of total wartime equipment requirements.

Of the total $14.7 billion shortfall, $9.1 billion was in the Army National Guard and $1.7 billion was in the Air Guard. That represents a shortage of about 28% in the Army Guard and 8% in the Air Guard.

The strong support of Congress in recent years has significantly reduced some of the most critical needs. With modern equipment, or at least compatible and deployable equipment, the National Guard can be an effective full partner in the Total Force. But sufficient equipment must be provided to meet wartime requirements and initial training requirements of new units or missions.

The most urgent Army and Air National Guard equipment requirements are addressed in brief in the following paragraphs.

ARNG TANK MODERNIZATION PROGRAM

The ARNG is scheduled to be equipped with 480 M1 tanks and 3,357 M60A3 tank thermal sight tanks by the end of 1990. The M60A3 tank has several features that do not provide optimum battlefield effectiveness and crew safety, but component improvements have been developed, tested, and are available. Appropriated FY 1988 funds are also available to build and test prototype M60A3 upgraded tanks.

There is no current plan to modernize beyond these two tank types in the future. Because of the critical role of tanks in conventional force strategies, we strongly urge support for an M60A3 modernization program and production and distribution of full battalion sets of M1 tanks and associated equipment to the Army National Guard.

M113 FAMILY OF VEHICLES

The Army had not programmed any procurement of the M113 Family of Vehicles (FOV) for FY 1988 and beyond. The production line had been scheduled to close in FY 1989 and has remained open only because of congressional action to include M113s in the FY 1988 budget. The ARNG is still experiencing near-term "war stopper" shortages of over 3,000 M113

FOVs, approximately 1,000 of which are armored personnel carriers, required by Army National Guard combat or combat related units. In addition, there is a 16,000 vehicle shortage in war reserve stocks. We solicit your support for continuation of M113 FOV production.

ATTACK HELICOPTERS

While only four of the ARNG's 15 attack helicopter battalions are currently programmed to receive Apache (AH-64) helicopters, the ARNG will be modernized through Cobra (AH-1S) helicopter transfers as the Army receives Apaches. Vietnam era UH-1M helicopters will remain in the Guard system through 1990-91 based on the current replacement rate. We encourage Congress to support an increased production rate of 36 Apache helicopters in FY 1989 and to establish a production rate of seven per month until all Total Army advanced attack helicopter requirements have been met.

UTILITY HELICOPTERS

By 1991, when the scheduled purchase of UH-60A Black Hawk helicopters has been completed for the active Army, 85 percent of the Army National Guard UH-1H/V Huey helicopters will be over 20 years of age with the average age being 23 years. Current distribution plans include only 85 Black Hawk utility helicopters to modernize a Guard fleet of at least 889. Modernization of the utility helicopter fleet in the ARNG is urgently needed. Therefore, we request Congress fund production above the Army program of at least 49 Black Hawk helicopters for the Guard and continue an increased production rate until all the aging UH-1H/Vs have been replaced.

OBSERVATION/SCOUT/CARGO HELICOPTERS

The final elements in the Guard fleet are the less glamorous but essential workhorses -- observation, scout and cargo helicopters. The need for their modernization to fulfill Total Army wartime requirements is equally critical. The current mix based on aging airframes and repair parts shortages results in deployability, maintainability, and interoperability problems. Specifically, we urge your support of the initiative to retire CH-54s by procuring 8 CH-47D helicopters per year, which will modernize one company each year. Funding in FY 1989 for an upgrade and reengine program for observation/scout helicopters and a long-term upgrade and replacement program for cargo helicopters is also essential for improved readiness.

AIR DEFENSE ARTILLERY MODERNIZATION

The Army National Guard is severely short organic air defense artillery for its major combat forces. The Guard air defense force structure is programmed to modernize its Air Defense Artillery battalions as a result of conversions and activations during FY 1988-1991. We urge Congress to support actions that ensure that the Guard is included in the planning and fielding of any new air defense assets that replace current outdated and inadequate systems.

MULTIPLE LAUNCH ROCKET SYSTEM

Currently, there are no procurement programs to provide the Multiple Launch Rocket System (MLRS) launchers and sufficient rockets to equip the nine Army National Guard divisions or to satisfy any additional MLRS needs for Guard corps artillery units. Support of increased production to accommodate the issue of 30 MLRS launchers per year to the ARNG until Guard requirements are satisfied is requested. It is also important to provide funds for rocket production sufficient to meet Total Army requirements.

SIMULATORS AND TRAINING DEVICES

The Guard is expected and intends to achieve levels of training equal to that of the active Army. Simulators and training devices help to alleviate the Guard and Reserve unique training environment difficulties resulting from the large number of small geographically scattered units. In our view, funding of $5 million for research and development, $25 million for procurement and $2.5 billion for operations and maintenance of training devices and simulators tailored to the needs of small units is a cost effective investment.

MISSION SUPPORT AIRCRAFT

The fixed-wing aircraft in the Army National Guard are needed to provide the capability to meet mobilization requirements of the state area commands, to transport personnel for command, control and supervision of subordinate elements, and to support movement of personnel, equipment and supplies to and from ARNG training areas and ranges. The 60 percent of the mission support aircraft in the ARNG fleet which are over 30 years old are rapidly becoming non-supportable. We encourage Congress to support a special procurement program to provide six modern C-26 type aircraft per year until the Guard mission support requirements are met.

C-130H TACTICAL AIRLIFT AIRCRAFT

The airlift units of the Air National Guard provide 30 percent of the Air Force's tactical airlift assets and services. Thirty-two C-130A aircraft remain in the Air National Guard. This model has an average age of 30 years and cannot match the airlift capability or, based on maintenance, the cost effectiveness of the C-130H. We strongly urge Congress to authorize and fund 16 C-130H aircraft to replace C-130A models in the Air National Guard in FY 1989.

TACTICAL FIGHTER AIRCRAFT

Fighter aircraft are not being procured in sufficient quantities to meet Air Force, Air National Guard, and Air Force Reserve modernization needs. Annual fighter procurement averaged 194 per year for the last five fiscal years, versus a requirement of 260-280 to meet force size and age goals. More than 50 percent of the Guard air defense, tactical fighter and reconnaissance aircraft are 20 or more years old and they are highly vulnerable in today's battlefield environment. We solicit congressional support of the accelerated modernization of two ANG fighter squadrons by funding 36 aircraft over and above the Air Force budgeted number in FY 1989.

TACTICAL AIRCRAFT IMPROVEMENT PROGRAMS

The Air National Guard is tasked to fight the same war, at the same time and in the same place as active Air Force units. It is imperative that we have commonality of weapons systems and tactical air support capability. The goal of modernization of the ANG tactical fighter and tactical air support can be advanced by continuing the A-7 plus enhancement program and by providing funds for implementation of the Multi Stage Improvement Program (MSIP) for F-15s in the Air National Guard. We request your support of these two programs.

ELECTRONIC COUNTERMEASURES (ECM) PODS

The environment of a potential combat arena is such that rapid and correct countermeasures are necessary to alleviate the threat from enemy radar controlled weapons. The few ECM pods now in the ANG inventory are not adequate to meet the current threat. We urge Congress to begin an extended program to equip ANG tactical aircraft units with up-to-date ECM pods.

FIGHTER RECONNAISSANCE POD

Manned penetrating reconnaissance will be a warfighting requirement for the foreseeable future. A state-of-the-art reconnaissance pod is the most mission capable, cost-effective, near-term solution to modernization of the tactical reconnaissance force. We urge Congress to authorize continued development of a reconnaissance pod leading to FY 1990 production.

MISCELLANEOUS EQUIPMENT

Since FY 1982, Congress has provided funding for National Guard mission essential equipment to be selected by the Chief, National Guard Bureau, based on his most pressing shortages. While communication/electronic equipment has repeatedly been procured with these funds, it continues to be a serious shortfall. A high percentage of the essential command and control communications mission of the Total Force is in the Army and Air National Guard. Interoperability and obsolescence remain major problem areas. Over the past years, miscellaneous equipment funds have also been expended for howitzers, trucks, medical equipment, aircraft support equipment, and other critical items. Even with the progress made possible through miscellaneous equipment funds, the National

Guard continues to suffer shortages in ground and air combat equipment, communications equipment and medical equipment. We urge the continued funding for miscellaneous equipment in FY 1989, in order that the Chief, National Guard Bureau, can most effectively apply the funds toward improved readiness of the Army and Air National Guard.

FEDERAL SHARE OF COST OF ARMORIES

The law requires that the cost of new Army Guard armory construction be shared between the federal government and the states at a 75/25 percent ratio. The states must also provide the land, provide site preparation and bring utilities to the property. Following construction and acceptance, the states acquire ownership of the armory and are required by current directives to maintain the armory at state expense and make it available for military use for 25 years. States are often hard pressed to appropriate the funds required to both construct and maintain armory facilities.

During the past three years, congressional action provided some relief to the states. Changes in law authorized 100 percent federal funding of expansion projects, required as a result of federal mission changes, and advanced federal funding of engineering and design costs on a reimbursable basis.

Congress also authorized cost sharing of major maintenance projects for armories and full federal funding for the provision of space, utilities and communications support of full-time federal personnel. However, we are concerned that the assistance provided in two of the past three years in appropriated funds have not been continued by DoD in programming and budgeting. Again in the FY 1989 budget, there are no funds for this purpose. We would hope that the support of Congress for this essential funding would be recognized and that funding would be included in the FY 1990 Defense budget.

The cost of an executable annual program of providing support to Army Guard full-time federally employed personnel and fifty percent of the cost of major armory maintenance projects is $25 million. The National Guard Association urges Congress to reinstate this level of support in FY 1989.

MILITARY CONSTRUCTION

The unfunded military construction backlog in the National Guard continues to grow and will reach $2.6 billion for the Army National Guard and $0.9 billion for the Air National Guard by the end of FY 1988. As a result of the inadequate facilities available to many units, manpower retention and unit readiness are being adversely affected. Two major factors in unit readiness capability -- training and equipment maintenance -- are being severely hampered.

We appreciate the increased funding Congress has provided for both programs. However, an annual appropriation rate of approximately $150 million for the ARNG and $150 million for the ANG is not allowing them to keep pace with both the incremental construction requirements which are caused by expanding federal missions and force structure changes and the backlog of maintenance and replacement projects for current mission facilities. The unfunded construction projects are fundamental structures such as armories, maintenance shops, storage facilities for newly assigned equipment, fire suppression systems at air bases, and training facilities. Each additional project not only enhances the readiness of the units affected but also adds to the economic health of the community and state where it is located.

We urge that Congress recognize the existing National Guard military construction backlog and provide funding to accelerate National Guard construction programs at a level of at least $250 million each per year for both the ARNG and the ANG in order to significantly reduce their existing backlogs.

PERSONNEL ENTITLEMENTS AND BENEFITS

Most military leaders believe manpower is the mainstay of the Armed Forces of this country. All soldiers, airmen, and sailors whether they are active, Guard or Reserve make personal sacrifices to serve their country. In order to maintain the required levels of readiness and to fulfill their Total Force role, Guard members are increasingly called upon to perform additional duty periods.

Our goal is to recruit, train and retain quality personnel. The quality of Guard personnel has steadily increased during the last decade. Entitlement and benefit programs have provided a significant incentive to belong to the Guard. Unfortunately, we continue to have personnel policies and provisions in law that belie the principles of the Total Force policy for Guard and Reserve members and adversely impact on recruiting and retention.

INCAPACITATION PAY

Prior to November 1986, payment of incapacitation pay for an injury or illness incurred or aggravated in the line of duty during inactive duty training, or active duty for less than 30 days, was determined by the ability of the Guard member to perform his or her normal military duties. The FY 1987 Defense Authorization Act changed the method of determining eligibility and compensation for incapacitation pay focusing on loss of civilian pay. Changes in the concept of compensation were intended to eliminate the possibility of dual military and civilian pay during periods of incapacitation. The new computation system discriminates against Guard and Reserve members who, regardless of the severity of the injury, cannot demonstrate a loss in civilian pay, for example, students, seasonal workers, homemakers, and individuals transitioning between jobs or unemployed immediately prior to the duty period when they were injured. We support revising the method of determining eligibility for compensation to ensure that members of the Guard and Reserve are justly compensated for an illness, disease, or injury incurred or aggravated by military service.

GI BILL EXPANSION

The proven effectiveness of the Montgomery GI Bill for the Selected Reserve as a tool for improving overall quality manning and readiness of the Guard and Reserve is limited by the exclusion of certain types of educational assistance. Expansion of the programs of education available to Guard and Reserve members to emulate those available to active members under Chapter 30, Title 38 would make the program more effective. Some of our vital readiness skills require hands-on vocational or advanced degree studies. We strongly urge Congress to expand the Montgomery GI Bill Chapter 106, Title 10 program to cover the same categories of educational assistance as Chapter 30, Title, 38.

ARMY CONTINUING EDUCATION SYSTEM

Educational assistance through the Army Continuing Education System (ACES) is available to all members of the active Army and members of the Army National Guard and Army Reserve except for officers on active duty or AGR status and all Guard and Reserve warrant officers. The program also prohibits all Army Guard and Reserve personnel from receiving tuition assistance for graduate studies. Legislation to amend Section 2007, Title 10, USC to entitle all members of the Army Guard and Army Reserve to the same ACES opportunities currently afforded to the active component, and to most Guard and Reserve soldiers, is requested.

FORCE STRUCTURE CUTS/BUDGET REDUCTIONS

During the recent budget reduction effort in the Department of Defense the Air Force decided to absorb part of the cut beginning in FY 1989 by making force structure reductions across the active, Guard and Reserve tactical fighter and tactical airlift forces.

The FY 1989 budget includes a reduction of two active tactical fighter wings and an equivalent wing from the Air National Guard and Air Force Reserve, with resources to be withdrawn over a three year period. It also includes the first steps in a reduction of one Guard and Reserve equivalent tactical airlift squadron and two active squadrons.

Although reductions are required to meet the budget limits, we seriously question the benefits in cost effectiveness or combat effectiveness of the decision to reduce Guard and Reserve forces at a time when active force combat capability is being cut. In order to retain the maximum combat capability at the minimum cost, it would seem advisable to at least maintain the combat forces now in the Guard and Reserve. In fact, an argument could be made that Guard and Reserve forces should be robusted or expanded to take advantage of their lower cost, peacetime operation.

Although cost comparisions between active and Guard units are difficult because of different mission taskings, unit size and methods of accounting for base support and overhead, estimated costs for Guard units range between 50 and 80 percent of the cost of a similar active unit. In any case, robusting of existing units, in order to utilize the current overhead structure, would certainly provide the lowest cost marginal combat capability possible.

Maintaining or expanding Guard and Reserve units would also provide a means of retaining in the Total Force many of the highly skilled personnel now being lost or forced out of the active forces. The investment in training and the combat capability of the Total Force would be retained although some might argue that the optimum balance of active and Guard/Reserve forces are tilted. We believe the marginal benefits of retaining the current force level and approximate combat capability would be significantly greater than the marginal costs involved.

We strongly urge that as Congress realigns priorities within the FY 1989 DoD budget they apply savings from other areas to reinstate the proposed Guard and Reserve force structure cuts in order to retain the maximum number of skilled personnel and Total Force combat capability possible within the budget limit.

SUMMARY

Mr. Chairman, I have appreciated this opportunity to present the views of the National Guard Association of the United States on the current status of the National Guard and the actions needed to improve combat readiness.

We sincerely appreciate the strong support of Congress and of this Committee in providing manpower, equipment, training resources and facilities in the past. That support, along with the support given by the services and DoD under the Total Force policy, has allowed the Army and Air National Guard to greatly increase their combat readiness over the past few years.

We have identified some unresolved problems and shortages and ask for your continued support in achieving our overall goal of providing a vital and dynamic National Guard as a part of the Total Force. We are particularly concerned about the initial actions being taken to meet the lower projected budget levels. We ask for a detailed review of the cost effectiveness of reducing the Guard when compared to other alternatives.

Mr. Chairman, we recognize the serious problems associated with a large budget deficit and the tough decisions that must be made to meet lower budget limits. We will certainly support the final decisions which must be made and look forward to working with you and the Committee members in the months ahead to ensure our country has been provided the best possible defense for the dollars invested.

C-130A PROCUREMENT

Senator SASSER. Thank you, General Weber.

Let me ask you this question.

Is the association continuing to support the procurement of C-130H's to replace the aging C-130A's that we were discussing just a moment ago?

General WEBER. You said will we, sir?

Senator SASSER. For the record, the association is continuing to support the procurement of C-130H's, the new H model, to replace the older C-130A.

General WEBER. Absolutely. This has been a pet project of the association from its inception. Not to be critical of the Air Force, but the Air Force has never asked for a new C-130H for the Air National Guard. Through the support of the Congress, we have received nine squadrons of C-130H's. We still have 24 A models to go that must be replaced, and that is not addressing the B models and others that we have in the inventory. These are just the A's.

So very definitely, that will continue to be a high-priority item for the association.

Senator SASSER. Now, you indicated that the association is concerned about the proposal of the Department of Defense to reduce the number of C-130's assigned to each of the Guard's tactical airlift units. It has been my position that this is an unwise decision on the part of the Department of Defense, and I assume that the National Guard

Association, based on your testimony here today, would also be critical of that decision.

General WEBER. We have been and will be, sir.

STRATEGIC AIRLIFT ASSETS

Senator SASSER. You, I know, General Weber, and I hope I am not speaking out of school here, have privately supported the transfer of more of the Air Force's strategic airlift assets to the Air National Guard. Does the association support that as well?

General WEBER. We are in the strategic part of the Air Force just on a much smaller scale than the Air Force Reserve. We are in only the KC-135 mission, and we have a significant part of that. We have 104 KC-135's in our inventory. The only other units that we have are one C-141 unit and one C-5, and it is our judgment that those two squadrons out there standing alone is not the way to manage such a meaningful and expensive program. We need to round those squadrons out with sufficient squadrons to at least have a wing of C-5's and a wing of C-141's.

Senator SASSER. Well, in my view, the Air Force is postponing the inevitable in not transferring more of the strategic airlift units to the Guard.

The Chief of Staff of the Air Force was up here, as you know, not too long ago, and they are seeking bonuses. They are trying to keep pilots in the Air Force. The pilots are leaving. They are being—they are getting very attractive offers from the airlines, and it is fine to give pilots bonuses to keep them, but here we have pilots out in the Air Guard that do not have airplanes to fly. It appears to me that the best way to solve the problem of a pilot shortage, at least as far as airlift is concerned, is to give the airplanes to this Air Guard that has plenty of pilots out there who want to fly rather than posting bonuses and trying to retain the pilots in the Active service to keep them from leaving the airlift units and going into the airline pilots' business.

We have got plenty of pilots in the Air Guard; we just need to use them. They need to have airplanes to fly that are airworthy and up to speed and will allow them to really deliver on their mission.

Well, General, thank you very much, and I am going to turn now to Senator DeConcini, if he has any questions.

Senator DECONCINI. Mr. Chairman, I do not have any questions.

I just wanted to thank the General, too, for the particular attention he has paid to the State of Arizona when he headed the Guard, and now the association. We know that you did not give us any special favor over anyone else, but you certainly responded to the needs out there, and we are most appreciative, and I compliment you for the fine duty and work you have put forward, and I am glad to see you representing the association now.

I think that stands them well with this committee.

Thank you, General.

General WEBER. It has been a great personal pleasure for me over the years to work with each of you and your staff. Each of you have very competent staff, and it makes our job easier to do.

Senator DECONCINI. Thank you.

General WEBER. You have two good States out there with good Guard units that go above and beyond. They are always at the top of the list in their performance, and we appreciate it very much.

Senator SASSER. Thank you very much, General.

Do not brag too much to these staff members, they will be wanting a raise here, but thank you very much.

U.S. DEFENSE COMMITTEE

STATEMENT OF JOSHUA J. SLAVITT, ASSISTANT LEGISLATIVE DIRECTOR, U.S. DEFENSE COMMITTEE

STATUS OF CURRENT U.S. DEFENSE SYSTEMS

Senator SASSER. Our next witness is Mr. Josh Slavitt, who is representing the U.S. Defense Committee.

Senator DECONCINI [presiding]. Mr. Slavitt, your full statement will be printed in the record, if you would summarize it for us.

Mr. SLAVITT. Yes, Senator DeConcini.

Henry L. Walther, the president of the U.S. Defense Committee, was not able to be here this morning, but he has asked me to convey his appreciation for allowing me to testify on his behalf.

My name is Joshua J. Slavitt. I am assistant legislative director of the U.S. Defense Committee, a public interest organization of over 146,000 Americans who are concerned that America's defenses are not what they should be. They and I and millions of Americans feel that Congress over the last 20 years has allowed the defense of this Nation to fall behind the efforts of the Soviet Union.

First and foremost, our members are expressing both their anger and outrage over Defense Secretary Carlucci's preemptive surrender of the fiscal year 1989 defense budget.

The sad truth is that with the $33 billion in cuts that Mr. Carlucci has proposed, on top of the more than $100 billion that Congress has cut from defense budgets over the last 5 years, the successes that have been achieved in the first years of the Reagan administration in reversing the decline of America's security may now be totally lost.

In the face of more than 5 years of congressional cuts, the $332 billion set by Caspar Weinberger last year would have been barely adequate for the United States to keep up with the Soviet Union's growing military strength. Yet by accepting Secretary Carlucci's budget figures, Members of Congress are once again showing that they continually ignore the external threats to this Nation and arbitrarily cut funds from defense while nondefense spending is allowed to continue on a runaway course.

A look at the facts clearly shows that congressionally mandated cuts in U.S. defense spending do not take into account the expanding Soviet military threat. In the period from 1965 to 1987, the Soviet Union spent at least $510 billion more on weapons systems than the United States, according to Secretary Carlucci's own report to Congress.

U.S. VULNERABILITY TO SOVIET NUCLEAR FORCES

My testimony today will examine how this has resulted in America becoming increasingly vulnerable to Soviet aggression or blackmail in three areas: America's nuclear deterrent, strategic defense, and conventional forces. Finally, the danger of ratifying the INF Treaty will be discussed.

Right now a Soviet nuclear first strike would destroy virtually the entire U.S. land-based missile force, and some 70 percent of U.S. strategic bombers which could not get airborne before Soviet missiles hit their airfields.

The Soviet Union's large and advanced air defense system casts serious doubts on whether any surviving elements of America's aging B–52 force and the few B–1B's that we do have could penetrate Soviet airspace. Also, a first strike would easily destroy all the ballistic missile submarines docked in ports around the world at any given time, thus knocking out some 50 percent of our sea-launched military deterrent.

Today our strategic nuclear deterrent rests, in the final analysis, upon those missiles aboard our ballistic missile submarines at sea. Suppose, however, that if by espionage and deceit, much like that which has occurred in the recent Walker and Toshiba-Konigsberg incidents, the Soviets could debilitate or destroy our remaining deterrent at sea, the United States would then be wide open to nuclear attack or blackmail.

It is therefore clear that the U.S. missile modernization must no longer be delayed by Congress.

U.S. LAND-BASED DETERRENT

The U.S. land-based deterrent is still predominantly based on 1960 vintage missiles. Even if some of these missiles were to survive a Soviet attack, they would be relatively ineffective against modern, hardened Soviet military installations. However, with the MX Peacekeeper missile, America has a key part of the answer to the increasing Soviet threat.

The question is whether or not Congress will provide this vitally needed improvement for our ICBM force in numbers that can effectively enhance America's deterrent. In 1985 Congress set a deployment cap of only 50 on the MX missile, which is far from the number needed to rejuvenate America's land-based missile force.

We urge this subcommittee to provide funding for the manufacture and deployment of at least the 200 MX missiles originally requested by President Reagan.

STRATEGIC BOMBER FORCE

Similarly, America's strategic bomber force is still in need of continued modern replacement. B–52 squadrons took heavy losses operating against Vietnamese air defenses almost 20 years ago and would be easy targets for the 11,000 or more modern Soviet SAM's in service today.

Fortunately, the B–52 has been supplemented by 100 modern B–1B bombers. But like the MX, many defense experts question whether enough bombers have been deployed to shore up our aging B–52 fleet and offset the enormous Soviet air defenses.

With the B–2 Stealth bomber not planned for deployment until the mid-1990's at the very least, clearly more B–1B bombers are needed.

BALLISTIC MISSILE SUBMARINE FORCE

At the very least, we call upon Congress to keep the production lines open to maintain the credibility of our manned bomber force. Because of the growing vulnerability of our land-based strategic forces, America must rely more heavily on the Navy's ballistic missile submarines. By continuing to deploy Trident submarines, the United States will go a long way toward assuring the effectiveness of the sea-launched ballistic missile component of the triad. In addition, it is important for the United States to ensure the effectiveness of our strategic submarines by producing and deploying the Trident I, D–5 missile.

The D–5 missile, in conjunction with the MX, the B–1B, and eventually the B–2, will significantly update America's aging strategic forces. However, with the legacies of the M–X and the B–1B still fresh, we strongly urge this subcommittee to prevent another see-saw budget battle over the D–5 program that will only drag out the deployment of these missiles at much higher cost to the American taxpayer.

Senator DECONCINI. Could I ask you, Mr. Slavitt, to please summarize the balance of your statement if you can? We have a lot of witnesses here and we would like to give an opportunity to let them at least have a few minutes here or we will run out of time.

Mr. SLAVITT. Certainly, Senator.

If I may, then, I will just go to the closing remarks regarding the INF treaty.

Senator DECONCINI. Thank you.

INF TREATY

Mr. SLAVITT. My final point I would like to discuss, how the damage to America's security caused by congressional cuts in conventional weapons will be exacerbated if the Senate ratifies the INF Treaty. The fact is that the history of Soviet treaty violations makes it very hard to believe they would honor this new treaty in the first place. Indeed, there is already evidence that the Soviets maintain as many as 550 SS–20's that they did not admit in the INF accord. However, even if by some miracle the Soviets abide by the INF Treaty, the fact is that the removal of U.S. Pershing II missiles and Tomahawk cruise missiles from Europe would greatly increase the risk of Soviet aggression. With these missiles gone, the Soviets' massive conventional forces could be used to overrun or blackmail Europe as a major step toward their goal of surrounding and defeating America.

Conversely, the Soviets are giving up very little militarily by removing their SS–20's because they can retarget NATO bases with their

SS–24 and SS–25 missiles and still have an enormous first strike force aimed at the United States.

But more importantly, with the Soviet record of aggression and treaty violations, can anyone actually feel secure in trusting the words of Mikhail Gorbachev? Can we rest the security of the United States upon the so-called promises that he has made?

Some 50 years ago the European democracies relied upon paper agreements to prevent aggression rather than maintaining a strong defense. The result, as we all know, was a Nazi onslaught that took millions upon millions of lives. The truth today, as it was in the 1930's, is that there can simply be no security in swapping paper agreements for real military preparedness.

In closing, the U.S. Defense Committee urges this subcommittee to vote to adequately defend and protect America. As we are concerned, this means at a minimum, appropriating the full $332 billion defense package originally proposed by Caspar Weinberger, including the $6.4 billion for SDI, and restoring the billions of dollars cut from defense and SDI budgets.

Mr. Chairman, this concludes my summarization.

[The statement follows:]

UNITED STATES
DEFENSE COMMITTEE

Statement By

Joshua J. Slavitt
Assistant Legislative Director

Mr. Chairman:

Thank you for allowing me to testify before you today.

My name is Joshua J. Slavitt and I am the Assistant Legislative Director of the United States Defense Committee.

The United States Defense Committee is a public interest organization dedicated to a strong national defense and foreign policy.

We are an organization of over 146,000 Americans who come from all walks of life; machinists, farmers, small entrepreneurs, doctors, lawyers and retired service personnel.

What binds all these people together is a concern that America's defenses are not what they should be.

They and I, and millions of other Americans are very concerned that Congress, over the last 20 years, has allowed the defense of this nation to fall behind the efforts of the Soviet Union.

It has been said that Congress is increasingly becoming the preserve of special interests, from the recipients of the welfare state, to proponents of export/import specialty laws.

Well, there is one interest larger than all the others combined. It is not a special interest but is an interest that is shared by all Americans.

It's called national defense and is listed by the Constitution as Congress' first and foremost responsibility.

The armed forces of our country, of course, are responsible for deterring attacks on the United States and the American people, and for protecting American personnel, property and interests if an act of aggression is committed.

Ultimately however, it is Congress' responsibility to appropriate the funds that are necessary to ensure that our armed forces can do their job.

On behalf of our more than 146,000 members let me outline to you several of the specific concerns of the United States Defense Committee regarding our nation's defense.

First and foremost, our members are expressing both their anger and outrage over Defense Secretary Carlucci's preemptive surrender of the FY'89 defense budget.

The sad truth is that with the $33 billion in cuts that Mr. Carlucci has proposed, on top of the more than $100 billion that Congress has cut from defense budgets over the last five years, the successes that have been achieved in the first years of the Reagan Administration in reversing the decline of America's security may now be totally lost.

In the face of more than three years of congressional cuts, the $332 billion funding level set by Caspar Weinberger last year would have been barely adequate for the United States to keep up with the Soviet Union's growing military strength.

At the very least, the American people deserve an up or down vote on the very highest defense funding levels for this year.

Yet by accepting Secretary Carlucci's budget figures, members of Congress are once again showing that they continually ignore the external threats to this nation and arbitrarily cut funds from defense while non-defense spending is allowed to continue on a runaway course.

As defense spending has been cut back; pork-barrel social welfare schemes and other non-defense spending have undergone an explosive growth that today consumes 75% of the budget.

During the Kennedy years, defense spending comprised 45% of the budget, but today it has been cut back to only 25%.

It must be further mentioned that weapons procurement accounts for barely one-third of the entire defense budget. The other two-thirds of the budget cover the cost of paying for our military personnel, operations and maintenance costs, and research and design costs.

A look at the facts clearly shows that congressionally mandated cuts in U.S. defense spending do not take into account the expanding Soviet military threat.

In the period from 1965 to 1987 the Soviet Union spent at least $510 billion more on weapons systems than the U.S. according to Secretary Carlucci's report to Congress.

My testimony today will examine how this has resulted in America becoming increasingly vulnerable to Soviet aggression or blackmail in three areas; America's nuclear deterrent, strategic defense, and conventional forces. Finally, the danger of ratifying the INF Treaty will be discussed.

As you know, the Soviets' massive buildup in offensive weapons has greatly tipped the nuclear balance to their advantage over the past 20 years.

Right now a Soviet first-strike would destroy virtually the entire U.S. land-based missile force.

In addition, a Soviet first-strike would destroy some 70% of U.S. strategic bombers which could not get airborne before Soviet missiles hit their airfields.

The Soviet Union's large and advanced air defense system casts serious doubts on whether any surviving elements of America's aging B-52 bomber force and the few B-1Bs that we do have could penetrate Soviet airspace.

Also, a first-strike would easily destroy all the ballistic missile submarines docked in ports around the world at any given time, thus knocking out some 50% of our sea-launched missile deterrent.

Today, our strategic nuclear deterrent rests, in the final analysis, upon those missiles aboard our ballistic missile submarines at sea.

Suppose, however, that the presently opaque seas should become clear to new technologies.

Or if by espionage and deceit -- much like that which has occurred in the recent Walker and Toshiba/Konigsberg incidents -- the Soviets could debilitate or destroy our remaining deterrent at sea, the United States would be wide open to nuclear attack or blackmail.

It is therefore clear that the U.S. strategic modernization must no longer be delayed by Congress.

The U.S. land-based deterrent is still predominantly based on 1960's vintage missiles. It was never intended that these weapons remain the backbone of our nuclear deterrent for such an extended period of time.

And even if some of these missiles were to survive a Soviet attack, they would be relatively ineffective against modern hardened Soviet military installations.

Therefore, Soviet planners can rely on being able to reload their ICBM launchers after a first-strike.

However, with the MX "Peacekeeper" Missile, America has a key part of the answer to the increasing Soviet strategic threat.

The ten extremely accurate warheads on the MX missile can smash through Soviet silo protection, rendering these silos useless for reloading.

The question is whether or not Congress will provide this vitally needed improvement for our ICBM force in numbers that can effectively enhance America's deterrent.

In 1985, Congress set a deployment cap of only 50 on the MX "Peacekeeper" Missile.

This is far from the number needed to rejuvinate America's land-based missile force.

We urge this Subcommittee to provide funding for the manufacturing and deployment of at least the 200 MX missiles originally requested by President Reagan.

Similarly, America's strategic bomber force is still in need of continued modern replacements.

Because of their slow speed and large radar silhouette it is doubtful that any of the 234 cruise-missile carrying B-52s are capable of penetrating sophisticated Soviet air defenses.

B-52 squadrons took heavy losses operating against Vietnamese air defenses almost 20 years ago and would be easy targets for the 11,000 or more modern Soviet SAMs in service today.

Fortunately, pro-defense forces were successful in supplementing the B-52 force with 100 modern B-1B bombers.

The B-1B is an important asset to our strategic Triad, but like the MX, many defense experts question whether enough of the bombers have been deployed to shore up our aging B-52 fleet and offset the enormous Soviet air defenses.

With the B-2 "Stealth" bomber not planned for deployment until the mid-1990's at the very earliest, clearly more B-1B bombers are needed. This is especially true when the on-again, off-again production of the B-1B bomber is considered.

Because of Congress' indecision over whether or not to build the B-1B bomber, and President Carter's efforts to kill the program outright, deployment of the B-1B took over 10 years longer than originally planned, at many times the original cost.

At the very least we call upon Congress to keep the production lines open to maintain the credibility of our manned bomber force.

Because of the growing vulnerability of its land-based strategic forces, the United States must rely more heavily on the Navy's ballistic missile submarines.

By continuing to deploy Trident submarines, the U.S. will go a long way toward assuring the effectiveness of the SLBM component of the Triad.

In addition, it is important for the U.S. to ensure the effectiveness of our strategic submarines by producing and deploying the Trident II, D-5 missile.

The D-5 marks the first time that a submarine-launched missile will have the same hardened-target kill capacity of its land-based counterparts.

The D-5 missile in conjunction with the MX, the B-1B and eventually the B-2 will significantly update America's aging strategic forces.

However, once again Secretary Carlucci has actually cut the budget for this program for 1989 by more than $500 million from what Congress appropriated in 1988.

With the legacies of the MX and the B-1B still fresh, we strongly urge this Subcommittee to prevent another seesaw budget battle over the D-5 program that will only drag out the deployment of these missiles at a much higher cost to taxpayers.

In addition, fully funding the modernization of America's strategic deterrent is only half the equation if we want to be secure from the threat of Soviet nuclear attack or blackmail.

United States Defense Committee members, many of whom are retired military personnel, have expressed to me their belief that Congress must provide full funding for the earliest possible deployment of an SDI-type ballistic missile defense.

With an already overwhelming advantage in first-strike offensive nuclear weapons, including the powerful and accurate SS-18 ICBM, the Soviet Union is working to fully deploy an anti-ballistic missile system in order to gain total nuclear superiority over the United States.

Today, along with their first-strike arsenal and extensive network of hardened command and control facilities and key industries, the Soviets consider their "Dark Star" ABM system to be a cornerstone in their efforts to be able to fight and win a nuclear war.

For over 20 years, the Soviet Union has been working on Dark Star, often in violation of arms control treaties.

The Department of Defense estimates that over 10,000 scientists are employed by the Soviets on laser research and other high-technology weapons such as kinetic energy weapons, electromagnetic rail guns and particle beam weapons.

Already the Soviets have operational ground-based lasers capable of interfering with American satellites, and American pilots have also reported being blinded by high intensity beams of light while flying over Soviet warships.

The Soviets also have the only operational ASAT system.

Laying the groundwork for a full ABM defense, the Soviets have developed the inward facing phased-array radar at Krasnoyarsk, which is in direct violation of the ABM Treaty.

It is probable that with a combination of "Henhouse" and "Doghouse" battle management radars, and the two phased-array radars at Krasnoyarsk and Pechora, the Soviets may have a working ABM radar grid already in place.

By using the 100 ABM's at Moscow as the hub, it is reliably estimated that the Soviets could "break out" of the ABM Treaty and deploy a comprehensive missile defense by the early 1990's.

Of course, the Soviets would rather win without firing a shot.

So if they gain the ability to fight and win a nuclear war they will then use such superiority to force the U.S. and its NATO allies to surrender to Soviet rule.

That is why the deployment of SDI is a necessity and why the United States Defense Committee strongly supports SDI deployment.

The importance of a missile defense, after all, would be its ability to deter the Soviets from launching a nuclear first-strike against America.

The truly sad thing about congressional cuts in the SDI program is that a partial U.S. ABM system could be deployed virtually immediately which would protect the entire continental U.S. from an accidental or rogue missile attack and at the same time, increase deterrence by greatly complicating Soviet military planning.

Today the United States could begin deploying 100 ERIS missiles at the missile field near Grand Forks, North Dakota.

According to Lockheed and Vought-Martin Marietta, the 100 ground-based, non-nuclear ERIS missile interceptors, which could be deployed within five years at a cost of about $3 billion, could defend all of the continental U.S., populated Canada, and part of Mexico from any accidentally launched Soviet missile or rogue missile attack by a third country.

In addition, fast-firing guns can be deployed to provide an excellent hard-point defense for key cities and missile sites around the U.S. and even Europe.

By making it impossible for Soviet planners to know which or how many of their missiles would actually hit targets in the U.S., this defense system would greatly lower the possibility that the Soviets would launch a nuclear first-strike.

Yet in spite of the enormous threat from the Soviet Union's first-strike arsenal and their expanding efforts to deploy an ABM system, Congress has continued to slash funds for the Strategic Defense Initiative.

Over the last three years, Congress has cut more than $3 billion from the overall SDI budget forcing reductions in a number of vital research programs and further delays in the early deployment of already available weapons.

In 1987 alone Congress not only cut $600 million from the SDI program but further hampered SDI research and development by attaching restrictions to the 1988 Defense Authorization Bill that will wipe out virtually any new testing over the next year.

And for this year, Secretary Carlucci has already sold out SDI by proposing a cut of some 25% from Caspar Weinberger's SDI budget proposal of $6.4 billion.

By restricting SDI to being only a research program, Congress -- and now officials in the Department of Defense -- are sending a clear signal:

America is not going to protect its people from the threat of Soviet nuclear blackmail.

In order to make up for past cuts in the SDI program, we call upon this Subcommittee to provide at least the $6.4 billion requested by former Secretary Weinberger for this year.

Similarly, the Soviets have a large advantage in virtually every aspect of conventional weapons.

That's why the vital modernization of America's strategic deterrent, as well as the immediate deployment of an SDI-type ballistic missile defense must not come at the expense of America's conventional forces.

Today the Soviet Union and its Warsaw Pact vassals enjoy a 2-1 advantage in manpower, a 3-1 advantage in tanks, a staggering 5-1 advantage in aircraft and a whopping 10-1 advantage in self-propelled cannons, rocket launchers and missile artillery over America and the combined forces of NATO.

Given the Soviet Union's overwhelming numerical superiority, it is clearly damaging to America's security to push for any cuts in our conventional modernization programs.

But, this is precisely what Secretary Carlucci has done in his FY'89 defense funding request.

Under Secretary Carlucci's plan the U.S. military will lose almost 30,000 troops, 220 combat aircraft, and 620 helicopters.

And because the Carlucci budget calls for the bulk of the cuts to come directly out of weapons and spare parts procurement, the military services will increasingly be faced with the possibility of going to war with unsafe, inferior and often aging equipment.

As a result of the current cutbacks in spare parts, the Air Force could be forced to stand down literally hundreds of aircraft which will have to be cannibalized to keep other aircraft flying.

In addition, with the mothballing of 16 frigates and the loss of 10,000 personnel, America's current naval forces that are at sea will constantly be pushed to the edge in order to meet the demands of defending America's interests around the world.

The continuing trend to cut conventional forces could lead to disaster in the near future if, for example, the United States were at the same time forced to prevent a major Communist offensive in Central America and a major disruption of oil supplies in the Middle East.

Shortages in spare parts and cutbacks in manpower and maintenance would place America in the position of being forced to decide whether to concede our own backyard to the Communists or allow Soviet control of the Middle East.

The full funding of America's conventional modernization is a responsibility Congress must not shirk.

For my final point I would like to discuss how the damage to America's security caused by congressional cuts in conventional weapons will be exacerbated if the Senate ratifies the INF Treaty.

The fact is that the history of Soviet treaty violations makes it very hard to believe they would honor this new treaty in the first place.

The Soviets have repeatedly violated the 1963 Limited Test Ban and Threshold Test Ban Treaties.

As part of their ongoing effort to develop and deploy their "Dark Star" missile defense, the Soviets have violated, and remain in violation of, the 1972 ABM Treaty.

Also the Soviets have violated both the Salt I & II arms agreements.

In addition, the Soviets are in violation of agreements on chemical weapons; regularly murdering people in Laos and Afghanistan.

And the Soviet violations of the Helsinki Accords on Human Rights are more numerous than could ever be documented.

The fact is that history has shown that the Soviets sign only two kinds of agreements -- those giving them a clear advantage which they later break and those they break immediately.

Indeed, there is already evidence that the Soviets are maintaining as many as 550 SS-20s that they did not admit to in the INF accord.

If by some miracle the Soviets abide by the INF Treaty, the fact is that the removal of U.S. Pershing II Missiles and Tomahawk Cruise Missiles from Europe would greatly increase the risk of Soviet aggression.

With these missiles gone, the Soviet's massive conventional forces could be used to overrun or blackmail Europe as a major step toward their goal of surrounding and defeating America.

With the Pershing IIs and Cruise Missiles in place the Soviets are less likely to launch a conventional blitzkrieg.

In fact, Soviet strategists are deterred from attacking Western Europe by the fear that the U.S. would fire the missiles to prevent U.S. troops from being slaughtered.

Conversely, the Soviets are giving up very little militarily by removing their SS-20s because they can retarget NATO bases with their SS-24 and SS-25 missiles and still have an enormous first-strike force aimed at the United States.

Ultimately, with the U.S. deterrent reduced by the loss of the Pershings and Tomahawks, Soviet nuclear intimidation of Europe will actually increase.

Amidst all the hoopla and backslapping before and after the signing of the INF Treaty, few people noticed how Mikhail Gorbachev's diplomatic and public relations blitz succeeded in lowering the perception of the Soviet threat with the media, members of Congress and our State Department.

With the Soviet record of aggression and treaty violations, can anyone actually feel secure in trusting the words of the leader of the Soviet Union?

Can we rest the security of the U.S. upon any of the so-called promises that he has made?

Some 50 years ago, the European democracies relied upon paper agreements to prevent aggression rather than maintaining a strong defense.

The result as we all know was a Nazi onslaught that took millions upon millions of lives.

The truth today -- as it was in the 1930's -- is that there can simply be no security in swapping paper agreements for real military preparedness.

All presently and potentially hostile nations must know that the President, as Commander-in-Chief, has the capacity to defend

America's interests under any circumstances.

It is time that the United States sends the correct message to the Soviets and other hostile Communist states:

That America is prepared to secure its own interests rather than rely on negotiations with Communist regimes which produce nothing but one broken promise after another.

In closing, we urge this Subcommittee to vote to adequately defend and protect America.

This means, at a minimum, appropriating the full $332 billion defense package orginally proposed by Caspar Weinberger including $6.4 billion for SDI and restoring the billions of dollars cut from previous defense and SDI budgets.

WEINBERGER/CARLUCCI BUDGET DIFFERENCES

Senator DECONCINI. Thank you, Mr. Savitt.

You are requesting a large amount of defense expenditures, and I wish the budget required it, but the President agreed to a much lesser amount than the $338 billion that you are suggesting.

I take it you are in disagreement with President Reagan?

Mr. SLAVITT. We believe that he has received inaccurate evidence or inaccurate information regarding the level of expenditures that should be spent for this year. Secretary Carlucci has come in with a budget much different from what Secretary Weinberger asked, and of course, Secretary Weinberger's budget was supposed to be a 2-year budget that Congress broke in half and never went into effect to begin with.

However, we still believe that Secretary Weinberger's figures are the better figures.

Senator DECONCINI. Do you think the President does not know this? Is that what you think is the case?

Mr. SLAVITT. I would not doubt that the President understands what the situation is with the Soviet Union and with our defenses. However, based upon what has happened in Congress over the last 5 years in terms of cutting America's defense budget, I think he was convinced by Secretary Carlucci's argument that Congress was not going to come up to that $338 billion figure.

Senator DECONCINI. You do not have confidence in the President's judgment?

Mr. SLAVITT. I have confidence in the President's judgment.

Senator DECONCINI. Good. That is all I want to know, because I do, too. I think he has done what he had to do in the past to build up our defense and has done what he had to do here.

Thank you.

Mr. SLAVITT. Thank you, Senator.

THE AMERICAN LEGION

STATEMENTS OF:

SAMUEL J. WALSH, ASSISTANT DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION

JAMES HUBBARD, DEPUTY DIRECTOR, NATIONAL SECURITY COMMISSION, THE AMERICAN LEGION

STATE OF U.S. DEFENSE POLICIES

Senator DECONCINI. Next we will hear from Samuel Walsh and Mr. James Hubbard of the American Legion.

Gentlemen, if you will summarize your testimony, we are going to have a vote in about 2 or 3 minutes, and I am going to have to run out. So if you can summarize your testimony, we will put your full statements in the record.

Mr. WALSH. Thank you, Mr. Chairman.

Mr. Hubbard, who is with me, will present a very brief statement.

Senator DECONCINI. We are glad to have you with us, gentlemen.

Mr. HUBBARD. We are pleased to be here on behalf of our 3 million members who are also taxpayers, who are also veterans, who are also concerned about the defense of our country.

We, perhaps more than any other citizens, hope that there is not going to be another war, and we are afraid that if cuts go too far, that our enemies will perceive us to be weak and put us at risk.

Herb Stein probably said it best, and I will paraphrase him. We can choose to defer deficit reduction; we can choose to defer strengthening of the Armed Forces. But deficit in the Federal budget will not put our national security at risk; deficit in the strength of the Armed Forces will put our national security at risk.

OPERATIONS AND MAINTENANCE

I will talk very briefly about three or four specific issues. First, we have some major concerns about operations and maintenance. The President's 1989 budget calls for 2.4 percent in real growth in this area. There was a 4.8-percent decline last year. The $85.6 billion request will allow a decrease in the growth rate of the maintenance backlog, and we fully support that amount of money.

Second, families of military members are a large part of the quality of life equation in the Armed Forces. They serve as a vital source of considerable strength, and they make an important contribution to the readiness posture.

COMMISSARIES AND MEDICAL CARE

Two things that are most important to the families are commissaries and medical care. The health care system in the Armed Forces is to be medically ready to meet all the requirements for life-saving health care in time of war. The Armed Forces have proposed a budget of over $12 billion for medical support for troops and their dependents to operate 168 military hospitals and over 800 medical and dental clinics. We support wholeheartedly that amount.

What concerns us is the projection that if a war started, the Armed Forces would be short 7,000 doctors and 31,000 nurses. That gap must be closed.

Second, OMB seems to have a fix on forcing the Armed Forces to privatize certain civilian types of activities. Primary among these are the commissaries. The troops and their families view the commissaries as the second most important benefit available to them, and to eliminate this benefit would affect the morale and welfare of the men and women who serve, with an accordant reduction in the readiness of the force.

PAY INCREASE

Third, we note with considerable interest that the President's budget contains a 4.3-percent pay increase. We would point out that pay comparability is still a goal, not a reality, and we support the 4.3 percent, but we must close the gap. The Armed Forces are paid 11 percent less than their civilian counterparts.

CONVENTIONAL FORCES FUNDING

The last item we bring to your attention, Mr. Chairman, is adequate funding for conventional forces. In spite of what the previous witness said, we believe the Senate should, and will, ratify the INF Treaty. However, the removal of Pershing II and ground-launched cruise from the hands of the NATO commander leaves a hole in the deterrent which we have strived over these years to maintain in Europe. The gap must be filled by a modern, robust land force capable of executing the military strategy of deterring aggression, or if it fails, bringing hostilities to termination.

We will be unable to do that if training, maintenance, and modernization become victims of the budget knife. We urge you to make your decisions very carefully.

Mr. Chairman, we have attached to our statement relevant resolutions passed by successive national conventions of our organization, the American Legion. We would ask you to accept them in the spirit of their having been offered by concerned citizens who have seen what happens with foreign policy fails or when some foreign power perceives that the United States is unwilling or unready to defend its national interest, and we appreciate this opportunity.

Senator DECONCINI. Thank you.

Mr. Hubbard, I want to thank you publicly, and the American Legion, and Mr. Walsh for the leadership that the American Legion has taken. I have great reservations in dealing with the Soviet Union and an INF Treaty. I have not made my ultimate decision now, but I am certainly leaning in favor of it for a lot of reasons. But I have apprehensions, and I think you are most responsible in coming to your conclusions in support of it, but do not let down your guard and our defenses. I think that is really something that we need to so-called beat the drum about. If we are going to move into this new phase of trust but verify, as President Reagan says, we need to be capable on the conventional side, and even in the other nuclear areas.

So I appreciate it much, and it has a lot of influence on this Senator's judgment, the American Legion's positions.

Thank you.

Thank you very much.

[The statement follows:]

Statement of

The American Legion

by

SAMUEL J. WALSH, ASSISTANT DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION

and

JAMES HUBBARD, DEPUTY DIRECTOR
NATIONAL SECURITY COMMISSION
THE AMERICAN LEGION

Mr. Chairman, we are pleased to appear before this subcommittee on behalf of the almost 3 million members of The American Legion. Our view of the defense of the United States is based on first-hand experience, much of it in combat. We know that the next war will be even more terrible than all of the previous wars due to the advances in technologies of the weapons systems in use throughout the world. We, perhaps more than any other citizens, fervently hope that there won't be a next war. In order to see this hope become a reality, it is absolutely necessary for us to hold the line on cuts from the funds appropriated for the defense of our nation.

Much has been done to hold down expenses in the name of cutting the federal budget deficit and perhaps some of the deficit reduction should come from defense. But, to paraphrase Herbert Stein, former chairman of the Council of Economic Advisors, we can choose to defer deficit reduction or we can choose to defer the strengthening of the armed forces. A budget deficit will not put our national security at risk. A deficit in the strength of the armed forces will put our national security at risk.

We suggest Mr. Chairman, that this nation cannot afford not to spend the money for an adequate armed force capable of deterring aggression and defending the interest of the United States and it allies. The world situation demands it. A strong economy will help a strong defense. A weak economy can be strengthened by defense spending. But a weak defense posture will most assuredly bring the downfall of either a strong or weak economy over the passing of time with the realization by our enemies that our armed forces are paper tigers. Right now our economy is strong, and our defense forces are the finest ever fielded according to the field commanders. We must keep them that way. Precipitous cuts from the defense budget will put us on the road to decline in power and influence.

There are several specific issues we would like to discuss today. First, we have some major concerns about operations and maintenance. The President's FY 89 budget calls for 2.4% in real growth in this vital account as opposed to the 4.8% decline appropriated last year. In our view this growth is entirely justified. The maintenance backlog of equipment waiting to be repaired has been increasing for the past several years. This increase must be slowed. The $85.6 billion request will allow a decrease in the growth rate. In addition, the operations portion of this account must be maintained in order to keep up the pace in training. Quality training has a direct effect on the warfighting skills of the troops and on combat training. Training was reduced in FY 1988 and in our view must be increased in FY 89 to ensure a ready fighting force.

Families of military members are a large part of the quality of life equation for military members. These families serve as a vital source of considerable strength. As such, military families make an important contribution to the readiness posture of the armed forces. Among the most important of all of the quality of life programs is health care and commissaries.

The primary responsibility of the military health care system is to be medically ready to meet all of the requirements for life saving health care in time of war. To accomplish this responsibility the armed services have proposed a budget of over $12 billion for medical support for troops and their dependents, and to operate 168 military hospitals and over 800 medical and dental clinics around the globe.

What concerns us the most is the projection that if a war started today, the armed forces would be short over 7000 physicians and 31,000 nurses. This gap must be corrected. It not only translates into an increased death rate among battle casualties, but also into a degradation of medical care for dependents and retirees. That breaks an implied contract with those who serve and those who have served and their families. Already there has been an instance of refusal of military hospitals to fill civilian prescriptions due to funding shortfalls. This should not continue.

Mr. Chairman, the Office of Management and Budget seems to have a fixation on forcing the armed forces to "privatize" certain civilian type activities currently being operated by the armed forces for the benefit of the morale and welfare of the troops. Primary among these is the military commissary systems. According to the commissary mission statement, "Commissaries are an institutional economic benefit in the form of nonpay compensation provided to military personnel and their dependents. They are a proven, efficient method of compensating military personnel. Commissaries sell groceries and household items at the lowest practical price, in facilities comparable to commercial food outlets. The stores are operated to preserve and foster the significant value of the benefit to the economic and psychological well-being of the military community." Independent research indicates that active duty men and women and their families view the commissaries as the second most important benefit available to them and to eliminate this benefit would affect the morale and welfare of the men and women who serve in this nation's Armed Forces. Experience has shown that when the quality of a military person's life is eroded, the resultant shifts in morale are inevitably followed by a significant drop in readiness. Indeed, servicemen and women are no different than their civilian counterparts when it comes to career decisions, and they react just as negatively when real or perceived benefits are changed or eroded by inflation or neglect.

We note with considerable interest, Mr. Chairman, that the President's budget contains a 4.3% pay increase for the armed forces. We would point out that pay comparability between the armed forces and the civilian sector is still a goal, not a reality. This country must pay members of the military wages comparable to that earned in the civilian sector or suffer the consequences of recruiting and retention shortfalls. The late 1970's proved this point when an exodus of trained people left the Navy short 20,000 experienced petty officers, and in the words of the Army Chief of Staff with a "hollow" army. The Secretary of Defense currently estimates that service men and women now draw wages approximately 11% below the comparable civilian sector. This gap must be closed or military people will once again "vote with their feet" and leave the armed forces.

Mr. Chairman, the last item we would bring to your attention this year is adequate funding for conventional forces. As you know, a treaty eliminating what has become known as intermediate-range nuclear missiles will shortly be ratified by the United States Senate. The removal of our Pershing II and ground launched cruise missiles from the hands of the NATO Commander leaves a hole in the deterrent which we strive to maintain in Europe. This gap must be filled by a modern, robust land force capable of executing the national military strategy of deterring aggression, or if that fails, bringing hostilities to termination on terms favorable to the US and our allies. We will be unable to do that if training, maintenance, and modernization become victims of the budget knife. We therefore urge this subcommittee to make its decisions on budget cuts very carefully.

Mr. Chairman, attached to this statement are relevant resolutions passed by successive national conventions of The American Legion. We would ask you to accept them in the spirit of their having been offered by concerned citizens who have seen what happens when foreign policy fails, or when some foreign power perceives that the United States is unwilling, or unready to defend its national interests. Thank you for this opportunity.

69TH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
SAN ANTONIO, TEXAS
AUGUST 25, 26, 27, 1987

RESOLUTION NO: 29

SUBJECT: HOSPITAL USERS FEE

COMMITTEE: NATIONAL SECURITY

WHEREAS, For years the recruiters for the military services have used the free hospital care offered those in the military as a recruiting tool; and

WHEREAS, The retention personnel today use the medical benefits as a retention tool for enticing service members to make the military services a career; and

WHEREAS, The medical benefits are often a considered factor in the service members choice to make the military a career; and

WHEREAS,.The Federal government is now proposing an as yet undetermined "Users Fee" for dependents of active duty personnel and military retirees and their dependents; and

WHEREAS, This "Users Fee" is in the form of a payment for each hospital visit by the dependents and retirees; and

WHEREAS, Payment for hospital visits constitutes the Federal government reneging on a promise made to millions of prior and present service personnel; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in San Antonio, Texas, August 25, 26, 27, 1987, that The American Legion go on record as opposing any move by the Federal government to institute a "Users Fee" for dependents of active duty personnel and military retirees and their dependents.

69TH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
SAN ANTONIO, TEXAS
AUGUST 25, 26, 27, 1987

RESOLUTION NO: 34

SUBJECT: ANTI-SATELLITE WEAPON

COMMITTEE: NATIONAL SECURITY

WHEREAS, The Soviet Union has perfected its spy satellites to the extent that they can track U.S. warships protecting shipping in the Persian Gulf; and

WHEREAS, The Soviets have demonstrated the ability to send satellite data directly to warships at sea, rather than passing it through a central processing facility; and

WHEREAS, The Soviets have tested and placed in an operational status a "killer satellite" capable of disabling or destroying other intelligence fathering satellites; and

WHEREAS, The United States has only conducted one test of an anti-satellite rocket against an actual satellite; and

WHEREAS, The United States Air Force has been denied funding for additional tests of the U.S. anti-satellite weapon; and

WHEREAS, These additional tests are absolutely necessary to insure the reliability of this system; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in San Antonio, Texas, August 25, 26, 27, 1987, that it does urge the Congress of the United States to fund research, development, testing and eventual deployment of a capable anti-satellite weapon by the Armed Forces of the United States.

69TH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
SAN ANTONIO, TEXAS
AUGUST 25, 26, 27, 1987

RESOLUTION NO: 228

SUBJECT: STRATEGIC DEFENSE INITIATIVES

COMMITTEE: NATIONAL SECURITY

WHEREAS, The U.S. has successfully deterred nuclear attack for 40 years through the threat of retaliation, but new technologies may offer improved deterrence through the possibility of the addition of defensive measures against missile attack; and

WHEREAS, A defense designed to intercept missiles, as opposed to a policy of unlimited nuclear retaliation, adheres to the principles of proportionality and discrimination, destroying only enemy nuclear weapons and imposing no harm on innocent, noncombatant life; and

WHEREAS, Even a partially effective strategic defense system would proportionately decrease the effectiveness of Soviet nuclear forces, further contributing to deterrence; and

WHEREAS, Current investment in the Strategic Defense Initiative represents only about 1% of the DOD budget; and

WHEREAS, The Strategic Defense Initiative has compelled the Soviet Union to return to the bargaining table and has spurred concessions from the Soviet Union in arms control negotiations; and

WHEREAS, The Soviet Union has been quietly, but purposefully, developing and deploying elements of their own strategic defense, including anti-ballistic missiles, ground-based lasers and phased-array radars; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in San Antonio, Texas, August 25, 26, 27, 1987, that the U.S. proceed deliberately and resolutely toward the development and deployment of a strategic defense system; and, be it further

RESOLVED, That as elements of a strategic defense system, such as ground-based lasers or kinetic kill vehicles, achieve mature development, they should be deployed; and, be it further

RESOLVED, That the Strategic Defense Initiative should not be relinquished in order to achieve negotiation concessions from the Soviet Union.

69TH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
SAN ANTONIO, TEXAS
AUGUST 25, 26, 27, 1987

RESOLUTION NO: 229

SUBJECT: SUPPORT THE COALITION FOR PEACE THROUGH STRENGTH

COMMITTEE: NATIONAL SECURITY

WHEREAS, The American Legion at its 61st National Convention approved Resolution 530, at its 62nd National Convention approved Resolution 101, and at its 63rd National Convention approved Resolution 427, which urged members of The American Legion to support a national strategy of peace through strength and expressed the support in principle of The American Legion for the objective of the Coalition for Peace Through Strength; and

WHEREAS, The Soviet Union has exploited U.S. peace initiatives to build up its strategic and conventional warfare capabilities; and

WHEREAS, This has given the Soviet Union the means to support increasingly bolder world-wide aggression; and

WHEREAS, The Soviets continue their aggression in Afghanistan and there is grave concern that they may next use the armed forces for aggression in Pakistan, Iran and Yugoslavia; and

WHEREAS, The Soviets on a world-wide basis continue their support for insurgencies in Southern Africa, Central American (El Salvador and Nicaragua), the Philippines and elsewhere; and

WHEREAS, The Soviet Union has demonstrated an unwillingness to live by international law and agreements; and

WHEREAS, The United States must change its national policy from that of seeking security and peace through agreements and trust to a policy of maintaining peace through strength by restoring a credible deterrent and war waging capability which will stop Soviet expansionism; and

WHEREAS, The general principles of the Coalition for Peace Through Strength are:

1) to inspire, focus and unite the national will and determination to achieve this goal of peace and freedom;

2) to achieve over-all military and technological superiority over the Soviet Union;

3) to create a strategic defense and a civil defense which would protect U.S. citizens against nuclear war at least as well as the Soviets defend their citizens;

4) to accept no arms control agreements which in any way jeopardizes the security of the United States or its allies, or locks the U.S. into a position of military inferiority;

5) to re-establish effective security and intelligence capabilities;

6) to pursue non-military means to roll back the growth of communism;

7) to help our allies and other non-communist countries defend themselves against communist aggression;

8) to maintain a strong economy and protect our overseas sources of energy and other vital raw materials; and

WHEREAS, The American Legion has a long term policy precluding joining coalitions, groups or organizations with similar goals in the view that The American Legion's 2.8 million members must be represented directly by The American Legion in attaining goals covered by our mandates, but not precluding liaison, dialogue, and cooperation with organizations whose goals are the same as our mandates; and

WHEREAS, It will take the combined efforts of many organizations to achieve a national strategy of peace through strength; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in San Antonio, Texas, August 25, 26, 27, 1987, that we continue to urge the United States to support a national strategy of peace through strength and that The American Legion continue to support in principle the objectives of the Coalition for Peace Through Strength; and, be it further

RESOLVED, That The American Legion initiate liaison, dialogue, and cooperation with the National Coalition for Peace Through Strength in those areas covered by our mandates.

69TH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
SAN ANTONIO, TEXAS
AUGUST 25, 26, 27, 1987

RESOLUTION NO: 233

SUBJECT: MILITARY COMMISSARY OPERATION

COMMITTEE: NATIONAL SECURITY

WHEREAS, The Office of Management and Budget has proposed that a test of local supermarket chains' operation of military commissaries be conducted at certain military bases to determine whether the chains can operate the facilities at a lower cost to the service member than the services; and

WHEREAS, Hearings conducted by the Morale and Welfare Panel of the House Committee and Armed Services showed that the supermarket chains could not produce the 25% savings now mandated by law to the service members who stop at commissaries; and

WHEREAS, Both the Congressional Budget Office and the General Accounting Office found that the savings estimates on which the recommendations were based were unrealistic; and

WHEREAS, The commissary benefit is second only to personal paychecks in importance to the service member; and

WHEREAS, With an all-volunteer force it is imperative that perceived benefits be maintained to ensure the required enlistment rate be maintained to meet authorized end strengths; and

WHEREAS, The contracting out of the operation of commissaries by supermarket chains is likely to have a direct effect on the morale and welfare of service members and their families; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in San Antonio, Texas, August 25, 26, 27, 1987, that The American Legion opposes the operation of military commissaries by private sector supermarket chains and urges the Congress to reject any such recommendations coming before it.

69TH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
SAN ANTONIO, TEXAS
AUGUST 25, 26, 27, 1987

RESOLUTION NO:	237
SUBJECT:	SUPPORT OF STRONG UNITED STATES AIR FORCE
COMMITTEE:	NATIONAL SECURITY

WHEREAS, The National Security Act signed into law on July 26, 1947 established the Department of Defense and created the United States Air Force to provide a comprehensive program for the future security of the United States; and

WHEREAS, President Harry S. Truman signed Executive Order 9877 the same date, establishing the Air Force as a separate but equal service, charged with organizing, training and equipping air forces for a wide range of offensive and defensive aerial operations; and

WHEREAS, The swearing in of W. Stuart Symington as the first Secretary of the Air Force on September 18, 1947 and the swearing in of General Carl "Tooey" Spaatz on September 26th translated the National Security Act into reality; and

WHEREAS, The Air Force has made impressive progress during the past four decades in developing and employing highly advanced and capable weapons systems in the air, on the ground and in the vast expanses of space; and

WHEREAS, The more than one million active, reserve, and civilian men and women serving in the Air Force today continue the proud tradition of courage and dedicated service pioneered by aviation greats like Billy Mitchell, Hap Arnold, Jimmy Doolittle, Curt LeMay, and others; and

WHEREAS, The citizens of the United States have benefitted significantly from the commitment and unequaled capabilities the Air Force provides to underwrite the freedom we hold dear and to ensure our national security; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in San Antonio, Texas, August 25, 26, 27, 1987, that we appreciate the selfless service and sacrifices of yesterday's and today's airmen in this their 40th anniversary year of the establishment of the U.S. Air Force; and, be it further

RESOLVED, That the 2.7 million members of The American Legion will continue to lend their strong support to the people of the United States Air Force and to their efforts to preserve the national security of this nation through advancements in strategic force capability; improvements in readiness and sustainability; increases in airlift and tactical force capability; and the revitalization of our nation's capability to operate in space.

69TH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
SAN ANTONIO, TEXAS
AUGUST 25, 26, 27, 1987

RESOLUTION NO:	406
SUBJECT:	SUPPORT THE U.S. NAVY'S STRATEGIC HOMEPORT PLAN
COMMITTEE:	NATIONAL SECURITY

WHEREAS, The United States Navy has determined the necessity of establishing new Strategic Homeport Facilities at Corpus Christi, Texas, with support facilities at Galveston to further disperse its 600 ship Navy; and

WHEREAS, The American Legion supports the location of such facilities on the Coast of Texas; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in San Antonio, Texas, August 25, 26, 27, 1987, that we go on record of fully supporting the Navy's Strategic Homeport Plans and that we call upon Congress to commence funding the construction of the planned port facilities.

NATIONAL EXECUTIVE COMMITTEE
THE AMERICAN LEGION
INDIANAPOLIS, INDIANA

OCTOBER 8-9, 1986

RESOLUTION: 13

OMMISSION: NATIONAL SECURITY

SUBJECT: Support of United States Armed Forces

WHEREAS, Military professionals look for and have every right to expect dignity, job satisfaction, and the appreciation of the American people for their sacrifices that are part of military life; and

WHEREAS, The quickest way for the nation to lose the best and the brightest in its armed forces is by degrading , eroding and ignoring the value and purpose of military service and of national security; and

WHEREAS, Many of the men and women serving their country in uniform perceive a continued erosion of promised benefits because of constant attacks on the military commissaries, compensation, retirement pay, etc., by influential and decision elements of society; and

WHEREAS, Removal of real or perceived benefits, regardless of reason, can and frequently does produce severe reaction out of proportion to the savings involved; and

WHEREAS, Such presumed savings then become illusory for two reasons: trained personnel who might have been motivated toward a career leave the service at the first opportunity; and those who have chosen a military career feel that the government has broken faith with them; and

WHEREAS, The adverse impact on the morale of those remaining should be obvious and a cause for deep concern; now, therefore, be it

RESOLVED, By the National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, on October 8-9, 1986, That we see a compelling case for reaffirming our belief in our compassion for, and our unswerving commitment to, the "people" of our Armed Services, and we strongly urge the Administration, Congress and the American public to oppose any action that would increase the perception of erosion of benefits; and be it further

RESOLVED, That we urge Congress to enact a "Bill of Rights" specifying the benefits that accrue from military service, which provides that such benefits would only be changed or eliminated prospectively and changes would not apply to those now serving or those who have served.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO. : 18

SUBJECT: CHEMICAL WARFARE DEFENSE

WHEREAS, Soviet military doctrine envisages the use of chemical weapons, and acknowledges their value, particularly when used in massive quantities and in surprise attacks, they also possess a wide variety of lethal and incapacitating chemical agents and the means to deliver them; and

WHEREAS, The Soviet Union has invested heavily in individual and collective protection and decontamination equipment, and trains with actual chemical agents; and

WHEREAS, In contrast with the Soviet Union during most of the 1970's, the U.S. allowed its retaliatory capability to decline and has done little to improve defense against the use of chemicals in wartime; and

WHEREAS, The ultimate goal in the area of chemical warfare is a complete and verifiable ban on the development, production and stockpiling of chemical weapons; until such a ban can be obtained, the U.S. objectives should be consistent with existing treaties and international law to deter the use of chemical weapons; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we call upon Congress to authorize and appropriate monies for chemical warfare defense, to embark on a realistic research, development and acquisition program to deter the Soviet Union's use of chemical weapons; and, be it further

RESOLVED, That we believe this program, which has at its core the production of binary munitions, will improve our chemical defensive ability while providing an incentive for meaningful arms control efforts.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 62

SUBJECT: STRATEGIC NUCLEAR POLICY

WHEREAS, The United States has considered that global nuclear war would essentially spell the destruction of civilization, a view which led us in the 1960s and 1970s to accept a steady erosion of our military strategic strength through successive enunciated policies which only confirmed our diminishing relative strength; and

WHEREAS, The continued acceptance of such a policy would lead us to a position of inferior strategic strength, vis-a-vis the Soviet Union, by the mid-80s; and

WHEREAS, A Strategic policy which would hold our own citizens hostages to nuclear attack in order to deter aggression lacks credibility because of the Soviets recently developed more accurate and powerful MIRVed ICBMs, having first strike capability; and

WHEREAS, The Soviet Union strategists have long developed their military war machine from the concept of "winning" a nuclear war; and

WHEREAS, In developing their strategic nuclear offensive capability, the Soviets have emphasized their intercontinental ballistic missiles (ICBMs), and have been modernizing that force, stressing improved readiness, greater throw-weight, increased accuracy, better command and control; and

WHEREAS, They have also increased the number of re-entry vehicles and provided hardened silos to improve survivability; and

WHEREAS, There is evidence from the budgets submitted to the Congress that the Administration is attempting to provide our armed forces with improved strategic capabilities to counter the Soviet advances; and

WHEREAS, The development of new capabilities and deployment of anti-ballistic missiles (ABMs) including laser weapons and other scientific breakthroughs, would enhance the survivability of our ICBMs, strategic bomber bases, defense communication sites, military facilities and the civilian population; and

WHEREAS, The improvement of our manned and unmanned capability to intercept and destroy Soviet aircraft and cruise missiles would appreciably add to the deterrence of enemy attack; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we continue to pursue a new strategic nuclear policy which will lead the U.S. to develop the needed strength to destroy Soviet strategic offensive capabilities, rather than to destroy soft targets; and, be it further

RESOLVED, That together with the development of these new capabilities that the U.S. develop the force structure necessary to deter the Soviet Union, while minimizing destruction to the United States, if attacked.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 114

SUBJECT: COMMAND, CONTROL, COMMUNICATIONS AND INTELLIGENCE

WHEREAS, Our Command authorities, both military and civilian, require timely, accurate, and unambiguous information to plan military operations and to select alternative courses of action; and

WHEREAS, All Commanders and their staffs must then be assured that the decisions emanating from this information can be clearly and accurately communicated to the forces and weapons systems under their control; and

WHEREAS, Typically these systems consist of an array of sensors, communication links, command and control support facilities, and information processing and display equipment which collectively constitutes a significant combat multiplier; and

WHEREAS, It is imperative that C3I systems be provided that maximize the performance of our weapons systems and the operability of our forces in terms of survivability, endurability, inter-operability, and effectiveness; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we urge the Administration and Congress to continue to provide the necessary authorizations and appropriations for force structure improvements in the area of Command, Control, Communications and Intelligence (C3I).

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION No.: 150

SUBJECT: STRATEGY FOR PEACEFUL AND MILITARY USE OF SPACE

WHEREAS, The President of the United States has announced a National Space Policy as the result of an inter-agency review which began in August, 1981 and which review included a comprehensive analysis of all segments of the National Space Program; and

WHEREAS, This policy reaffirms the national commitment to the exploration and use of space in support of our national well-being and establishes the basic goals of the United States policy to strengthen the security of the U.S., maintain U.S. space leadership, obtain economic and scientific benefits through the exploration of space, expand U.S. private sector investment and involvement in civil space and space-related activities, promote international cooperative activities in the national interest, and cooperate with other nations in maintaining the freedom of space activities which enhance the security and welfare of mankind; and

WHEREAS, It is deemed that the national security of the United States requires the maintenance of space leadership by the United States; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we urge the Administration and Congress to reaffirm the national commitment to the exploration of space in support of our national security and national well-being and that the United States conduct activities in space necessary to its national security including, but not limited to, such functions as command and control, communications, navigation, environmental monitoring, warning, surveillance and space defense.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION No.: 265

SUBJECT: STRATEGIC DEFENSE INITIATIVES

WHEREAS, The American Legion has urged the Administration and Congress to conduct a comprehensive review of the defense program of the United States and develop and implement a program with significant real annual budget increases to assure the security of the nation and the support of its foreign policy; and

WHEREAS, The President has announced a comprehensive plan for the modernization of U.S. strategic weapons, making clear what the United States will do to strengthen its strategic posture if fair and equitable agreements for arms reduction cannot be reached; and

WHEREAS, The comprehensive plan includes a commitment to upgrade our electronic command and control systems and to accelerate research and development aimed at devising an effective anti-ballistic missile defense system; and

WHEREAS, It has been reported that the Soviet Union may be prepared to deploy laser beam type weapons in space in this decade and to have a large, permanent, manned orbital space complex capable of attacking land, sea and air targets operational in the next decade; and

WHEREAS, The technological lead previously held by the United States over the Soviet Union in space has gravely deteriorated and the United States should be making greater use of the opportunities open to the United States for peaceful, scientific, industrial and commercial applications of space as well as harnessing its military potential; and

WHEREAS, It may not be possible for the United States to continue to budget unlimited amounts in an effort to match the enemy's capabilities in all types of forces and weapons and because there is a growing demand for a reduction in strategic nuclear weapons; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we urge the President and the Congress to follow a military strategy which would take advantage of available developing space technology to assure that the United States maintains the lead in such technology and to provide for developing a space-based ballistic missile defense system.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 268

SUBJECT: C-17 AIRCRAFT

WHEREAS, Current airlift enhancement programs, including C-5B and KC-10 acquisition, will satisfy only a portion of the existing inter-theater airlift shortfall; and

WHEREAS, There is a continuing need for additional inter-theater airlift capability including outsize cargo capability; and

WHEREAS, The U.S. Army's development of units that are more easily air transportable, such as light infantry divisions, may increase the requirements for responsive airlifts; and

WHEREAS, The C-17 will be able to operate in both the inter and intra-theater roles and is the key to our long-term program to reduce out major airlift shortfalls especially in the area of outsize army equipment and the C-17 offers four vitally needed capabilities: (1) achieves the increase in inter-theater airlift capability recommended by the Congressionally Mandated Mobility Study; (2) provides the theater commander with outsize intra-theater capability as well as flexible delivery modes; (3) offsets the capability lost as older C-141s and C-130s begin leaving the inventory in the 1990s; and (4) reduces airfield congestion with direct delivery and efficient design characteristics. The air-refuelable C-17 will be able to carry all classes of cargo over intercontinental distances and operate directly into small, "C-130-type" airfields typical of contingency areas around the world. This performance comes from integrating demonstrated and proven technology and will be capable of all delivery modes; i.e., airland, airdrop (including outsize) and low altitude parachute extraction (including outsize); and

WHEREAS, The Air Force proposes to procure 210 C-17s from fiscal year 1988 to fiscal year 1998; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we urge the Department of Defense, the Congress and the President to expedite the development and procurement so as to procure 210 C-17s during the period from fiscal year 1988 through fiscal year 1998 and thus increase and modernize the airlift capabilities of the United States Air Force.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4 1986
CINCINNATI, OHIO

RESOLUTION NO.: 271

SUBJECT: INSPECTION OF MILITARY CIVILIAN CHARTER AIRCRAFT

WHEREAS, Our nation was deeply shocked with the airplane crash in Gander, Newfoundland on December 12, 1985; and

WHEREAS, There were 248 lives lost in that tragic accident; and

WHEREAS, There have been numerous incidents of near misses involving unsafe commercial aircraft, transporting military personnel; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we support legislation requiring the Secretary of Defense to inspect commercial aircraft and operating carriers transporting military personnel.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 290

SUBJECT: MILITARY COMMISSARY OPERATION

WHEREAS, The President's Private Sector Survey on Cost Control has recommended that the Department of Defense should terminate the operation of the commissaries in the continental United States except in areas where adequate commercial food stores are not available; and

WHEREAS, The continued need for the military commissary system has been reaffirmed by eminent study groups on numerous occasions; and

WHEREAS, The DOD Third Quadrennial Review of Military Compensation (1976) indicated that the value perceived by the service member substantially outweighs the government costs; therefore, commissaries provide physic income that far exceeds the costs; and

WHEREAS, The Joint Chiefs of Staff on January 13, 1983, recommended that the President resist any attempt to alter military retirement to include benefits; and

WHEREAS, Reduced commissary support would undermine the morale of married careerists which is a key element of military preparedness; it would also be devastating to (1) junior enlisted families; (2) widows; and (3) the 100 percent service-connected disabled veterans eligible for commissary patronage; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we strongly support retention of the military commissary system and urge the Administration and the Congress to provide necessary authorization and funding to allow the system to be preserved as an institutional support for our active duty military, military retirees, 100 percent service-connected disabled veterans and widows authorized commissary privileges.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 292

SUBJECT: EDUCATIONAL INCENTIVES FOR ACTIVE AND RESERVE FORCES

WHEREAS, The Administration seeks repeal of the new G.I. Bill in its Fiscal 1987 Budget Request and a revival of the Veterans Education Assistance Program (VEAP); and

WHEREAS, All military services have stated that the Veterans Education Assistance Program (VEAP) was not effective as a recruiting and retention tool in which an average participation by military personnel was only 6 percent compared to 38 percent participation in the new G.I. Bill and the new Bill has resulted in solid gains in recruiting as reported by the Army; and

WHEREAS, The American Legion believes that educational incentives play an important part in the recruitment and retention of personnel, and any attempt to restrict or delete such incentives as a cost-saving measure would adversely affect the military service ability to meet their accession and retention goals; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we urge Congress to continue funding the new G.I. Bill which has proven to be a significant incentive in the recruiting and retention of personnel, for the military service both in the active duty and reserve components.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 293

SUBJECT: FUNDING U.S. ARMY STRATEGIC MOBILITY IMPROVEMENTS

WHEREAS, U.S. strategic mobility forces are currently unable to meet NATO reinforcement objectives or to project credible United States forces to areas where our national interest may be threatened; and

WHEREAS, The Army's prepositioned equipment and war reserve stocks are inadequate for many contingencies; therefore, mobility forces, both air and sea, must be increased to provide flexible power projection; and

WHEREAS, The planned conversion of Navy SL-7 container ships to roll-on, roll-off (RO/RO) configuration is essential and high priority must be given to research and development programs for surface ships which will project forces rapidly to augment air-lifted forces in the future; and

WHEREAS, While prepositioning of material configured to unit sets (POMCUS) remain a key part of the strategic mobility picture, critical shortages still exist in the area; and

WHEREAS, The development of intermediate staging sites in the Persian Gulf region is essential to improve the support for the Commander in Chief Allied Forces in Central Europe (USCINCENT) because no combat force can perform its mission if it is not at the right place, at the right time, with the right material; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we strongly urge the Congress to authorize and appropriate sufficient funds to provide for the needed U.S. Army strategic mobility improvements.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 294

SUBJECT: SUPPORT OF ARMY AND MARINE CORPS LAND FORCES

WHEREAS, Maintaining the nation's security requires our forces to be capable of protecting U.S. interest world-wide; and

WHEREAS, The range of possible contingencies place particularly difficult demands on the land forces -- the Army and the Marine Corps; and

WHEREAS, Our land forces must be capable of defeating the heavily armored, tactically mobile force of the Warsaw Pace in Europe; of coming to the assistance of friendly states threatened by modern, well-equipped forces; and at the other extreme, of providing rapidly deployable forces for "show of force" missions or for operations against less sophisticated forces in difficult terrain; and

WHEREAS, For our land forces to provide the capabilities we need, they must be: structured properly, able to respond quickly, capable of sustained combat, and provided with modern weaponry and equipment; and

WHEREAS, The Fiscal Years 1987-1991 program continues a major, and long overdue modernization of land forces; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we urge the Administration and Congress to support the Army and Marine Corps efforts of modernizing the United States land forces by providing necessary authorization and funding.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 404

SUBJECT: CONTINUE CHAMPUS MEDICAL PROGRAM AFTER AGE 65

WHEREAS, The federal government established CHAMPUS to assist military personnel and their dependents defray the cost of medical care; and

WHEREAS, The cost of medical care continues to increase; and

WHEREAS, Military retirees and their dependents are covered by CHAMPUS until age 65; and

WHEREAS, At age 65 military retirees and their dependents are no longer covered by CHAMPUS, but are then covered by Medicare; and

WHEREAS, Most retirees are on a fixed income; and

WHEREAS, Medicare covers much less than CHAMPUS and must be supplemented by additional insurance; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that The American Legion support legislation for the continuation of CHAMPUS available to all eligible retirees and their dependents after the age of 65.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 428

SUBJECT: MILITARY PAY AND QUALITY OF LIFE

WHEREAS, People are the foundation of our Nation's fighting force; and

WHEREAS, Without highly qualified, dedicated men and women, even the most sophisticated weaponry will not provide the deterrent force necessary for this Nation to remain at peace; and

WHEREAS, Military pay must be reasonably comparable to pay available in the private sector if the Armed Services hope to compete for quality volunteers and retain an experienced military force for the long term; and

WHEREAS, While pay raises have kept pace with inflation, they have not maintained comparable wage growth with the private sector; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that Congress must restore and maintain military pay comparability, or we may, in the long run, see an exodus of those with highly transferable skills and find it extremely difficult to recruit quality personnel; and, be it further

RESOLVED, That Congress must strive to improve those "quality of life" elements which they can influence, such as : improving Aviation Career Incentive Pay; improving medical and dental services; maintaining commissary and exchange store privileges; preserving an attractive retirement system; maintaining favorable tax treatment of allowances.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 429

SUBJECT: MODERNIZE THE UNITED STATES AIR FORCE

WHEREAS, The free world has learned a very hard lesson; weakness and appeasement lead not to peace, but to war; and

WHEREAS, To keep the peace, we have to maintain strong deterrent forces while we seek equitable and verifiable arms reductions agreements with the Soviet Union; and

WHEREAS, Modernization of our strategic offensive forces was generally deferred during the 1970's; and

WHEREAS, The Soviets have modernized their ICBM forces and have also deployed over 440 SS-20 intermediate range nuclear missiles, of which two-thirds can cover all of Europe and the Middle East; and

WHEREAS, To maintain credible deterrence and a stable nuclear balance, the President, in October 1981, directed the US Air Force to undertake the first comprehensive modernization of our strategic forces since they were built in the 1950's and 1960's; and

WHEREAS, Seventeen major studies since 1974 have found, in every case, that airlift requirements far exceed capabilities; and

WHEREAS, The Congressionally Mandated Mobility Study (CMMS) has concluded programmed mobility capability could not meet current or projected requirements, resulting in the CMMS recommending an Air Force capable of providing a minimum objective of 66 million ton miles per day (MTM/D) of intertheater airlift capability with one-half of the additional forces outsized capability; and

WHEREAS, The only means available to the ground combat forces to deploy and sustain their power is either by air or water; with airlift being the only means likely to have any significant effect; and

WHEREAS, Due to steady growth in Soviet military power and steady improvement in the combat capabilities of their tactical forces, the USAF needs to continue to modernize and expand its own tactical air force; and

WHEREAS, The highest priority for our general purpose forces is to improve readiness and sustainability; and

WHEREAS, Since FY 81 the USAF has more than doubled funding for munitions and spare parts and will continue to fund spares and munitions at the highest possible level; and

WHEREAS, The Soviets are producing approximately 1000 modern tactical fighters per year in contrast with our requested 264; and the Soviet tactical and theater air forces consists of over

6,000 fighters, interceptors, fighterbombers, and medium bombers; and

WHEREAS, The first consideration in employing aerospace forces is gaining and maintaining freedom of action to conduct operations against enemy forces; and

WHEREAS, We cannot expect to achieve numerical superiority against Soviet forces, even with the cooperation of allies; and

WHEREAS, We must exploit our current technological leadership to maintain and improve our qualitative advantage in fighter aircraft, engines, weapon systems and missiles; and

WHEREAS, In space, both the Soviets and the U.S. are dependent largely on satellites for warning, communications, and command and control of their forces world-wide; the Soviets have launched four or five times as many satellites over the past decade as the United States and have the world's only operational space weapons system; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we support:

(1) As a first priority, the USAF's efforts to update strategic modernization. With timely acquisition of 100 Peacekeeper missiles, development of the small ICBM, and deployment and development of a mixed Strategic Bomber forces of B-1B's and ATB's; and

(2) The USAF's greater emphasis and higher priority on global airlift capabilities with deployment and development of the C-5B and C-17 aircraft at the earliest possible time; and

(3) The USAF's continuing goal to adequately fund readiness items and build toward required sustainability levels; and

(4) The USAF's efforts to improve the effectiveness and quantity of its tactical fighter forces available for air-to-air and air-to-ground combat, by achieving the 40 TFW goal by early 1990; development and deployment of the Advanced Tactical Fighter, Advanced Medium Range Air-to-Air Missile (AMRAAM) and the Low Altitude Navigation and Targeting System for Night (LANTIRN) weapon systems; and

(5) The USAF's continuing effort in support of national priorities in space and the promising Strategic Defense Initiative; and

(6) The USAF's continued work to improve vitally important tactical Command, Control, Communications and Intelligence (C3I), in conjunction with the other Services, particularly the Army and Marine Corps; and

(7) The USAF's close coordination with the other services to avoid duplicating assigned missions.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 454

SUBJECT: SUPPORT TOTAL FORCE POLICY

WHEREAS, Under the Total Force Policy, Reserve Components area key element of the total force; and

WHEREAS, In the event of war, Reserve Components would deploy alongside Active Component units; their missions demanding that they be as capable and ready as their active-duty counterparts; and

WHEREAS, It is necessary that our Reserve Components be equipped with the latest weapon systems on a "first-to-fight, first to be equipped" basis if they are to be effective; and

WHEREAS, Current programs call for increased manning, training and readiness; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we call upon Congress to authorize and fund the most modern weapons systems for use by the Reserve Components; and, be it further

RESOLVED, That we urge Congress to authorize and fund the Reserve Components so as to provide sufficient recruiting and retention incentives to fully man units at the authorized wartime levels in order that they may accomplish their missions in the event of war.

SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
SEPTEMBER 2,3,4, 1986
CINCINNATI, OHIO

RESOLUTION NO.: 500

SUBJECT: MODERNIZE THE UNITED STATES NAVY

WHEREAS, Water covers three quarters of the world, and the United States is an "island continent" washed by the shores of the Atlantic and Pacific Oceans; and

WHEREAS, The Soviet Navy's postwar expansion has created an offense oriented blue water force as a major element in the Soviet Union's global reach that supports expanding Soviet influence from Nicaragua to Vietnam to Ethiopia; and

WHEREAS, Soviet use of sea power has allowed them to challenge U.S. influence in areas of the world most critical to the security of the United States; and

WHEREAS, Our national survival and the security of our allies depend on the ability of the United States to maintain sea superiority in order to foster the strategic sealift capability, power projection capability and the strategic combat capability of the U.S. Navy; and

WHEREAS, There is under construction and fully funded all of the ships necessary to attain a 600 ship Navy centered on 15 carrier battle groups, four battleship surface action groups, and 100 nuclear-powered attack submarines; and

WHEREAS, To sustain the 600 ship Navy, a "sustaining rate" of an average of 20 ships per year in new construction will be required; and

WHEREAS, On the 75th Anniversary of Naval Aviation, the U.S. Navy and U.S. Marine Corps have superbly shown the United States' ability to project power, when and where needed to uphold U.S. Foreign Policy; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2,3,4, 1986, that we support current and future Defense budget to reflect a "sustaining rate" of an average of 20 ships per year in new construction to sustain a permanent fleet of 600 ships; and, be it further

RESOLVED, That we support the continuing modernization of Navy and Marine Corps aircraft including the F-14 Tomcat, F/A-18 Hornet, A-6 Intruder, AV-8B Harrier, P-3C Orion, CH/MH-53E Super Stallion, V-22 Osprey, and E-6A TACAMO.

The American Psychiatric Association

STATEMENT OF JAMES H. EGAN, M.D., CHAIRMAN, DEPARTMENT OF PSYCHIATRY, CHILDRENS HOSPITAL NATIONAL MEDICAL CENTER, AND MEMBER, APA COMMITTEE ON QUALITY ASSURANCE, ON BEHALF OF THE AMERICAN PSYCHIATRIC ASSOCIATION

CHAMPUS REFORM INITIATIVE

Senator DeConcini. We will now take Dr. James Egan, American Psychiatric Association.

Good morning, Doctor. We are pleased to have you here. We will submit your full statement, but because of time running out here, if you could summarize it for us in 5 minutes or less, I would appreciate it, Doctor.

Dr. Egan. Thank you very much.

I represent, as you say, the American Psychiatric Association and its 34,000 members. And I would like to summarize the findings into three points. It concerns the CHAMPUS reform initiative which, as you know, is underway. It was originally planned to be fully implemented, and then a scaled down version has been, in fact, implemented in California and Hawaii.

We would request that extreme caution be exercised in further implementation pending a more thorough evaluation of the demonstration Tidewater project. As you know, there have been considerable difficulties there. Many of the intended aspects of the program have not been implemented, and primarily we are concerned about two aspects of the Tidewater project and would hope that those would be corrected, and the corrections would be implemented in any further statute.

Senator DeConcini. Does your statement include the suggested corrections?

Dr. Egan. Well, we list at least what the two are.

Senator DeConcini. What the two are, I see.

Dr. Egan. Yes; namely, there is a reduction in benefits currently, and second, there is a diminution in the quality of care that is rendered.

Senator DeConcini. And it should be maintained at the present level.

Dr. Egan. Yes.

Senator DeConcini. Thank you.

RESIDENTIAL TREATMENT CENTERS

Dr. Egan. The second point really concerns residential treatment centers which, as you know, have had an increased utilization, in part because of the 60-day cap on in-patient stays that had been imposed.

Our concern here is that there is a move by the Pentagon to a single daily fixed price reimbursement rate. I think that is an error on two parts. One, we believe it to be illegal since it does not fulfill the legislative intent of dual reimbursement level for the providers and for the institution, and second, we feel that the decision to do that was based on really very faulty information, and that had to do with the diversity of charges at residential treatment centers which reflect more the differences in types of residential treatment centers rather than a particular diversity of spending in one type.

CHAMPUS DRG SYSTEM

Our third request is that you consider carefully the CHAMPUS DRG system and exercise here as well extreme caution in its implementation with regard primarily to children and adolescent services where the data is very contradictory and in fact largely in error, to wit, there tends to be for reasons of the original sample an inverse relationship between the length of stay, severity of illness, and the reimbursement level. It just could not be worse. There are similar problems for mental disorders in general, and substance abuse, so that we beg you to look very carefully at the CHAMPUS reform initiative, residential treatment center, and the DRG CHAMPUS.

I would be happy to answer any other questions.

Senator DECONCINI. Thank you, Doctor.

Even though I have no further questions, but certainly this Senator, and I think this committee, will take a careful look at your association's recommendations in these very crucial areas. We have a lot of experience with CHAMPUS, a lot of contact with that program, and we certainly do not want to see it dismantled or ineffective.

Thank you.

Dr. EGAN. Thank you very much.

[The statement follows:]

American Psychiatric Association

STATEMENT OF THE

AMERICAN PSYCHIATRIC ASSOCIATION

ON

MILITARY MENTAL HEALTH PROGRAMS

PRESENTED BY

JAMES H. EGAN, M.D.
CHAIRMAN, DEPARTMENT OF PSYCHIATRY
CHILDRENS HOSPITAL NATIONAL MEDICAL CENTER
AND
MEMBER, APA COMMITTEE ON QUALITY ASSURANCE

Mr. Chairman, and Members of the Subcommittee, I am Dr. James Egan, Chairman of the Department of Psychiatry at the Childrens Hospital National Medical Center. I am also a member of the Committee on Quality Assurance of the American Psychiatric Association, a medical specialty society of over 34,000 physicians nationwide. The Association is again honored to have the privilege to appear before this subcommittee to provide Congress with our professional assessment of recent reforms and proposed reforms in the manner in which mental health services are delivered to beneficiaries of CHAMPUS.

In prior years the Association brought to your attention and worked with this Committee on the issue of CHAMPUS' inpatient psychiatric treatment benefit and the need for a program of medical peer review of treatment rendered. You heeded our concern and authorized the continued involvement of the psychiatric profession in the development of workable criteria for the evaluation of treatment for mental disorders provided at public expense, and we can report that this partnership is working well.

This year we will devote our comments to other important policies both underway and under development which, individually and collectively, could impede consumer access to adequate treatment for mental disorders. The CHAMPUS Reform Initiative (CRI), as you know, has captured the attention of the entire health care industry, including individual providers, health care institutions, insurance companies, consumers, and the military services. The key ingredients of this plan are a reformed provider reimbursement system; new preferred provider networks; and new procedures to encourage military hospitals to work closely with civilian facilities. Services enhancement and cost containment are the alleged cornerstones of the initiative. Many Congressional Committees reviewed this initiative and exercised careful judgement with respect to the planning for this monumental restructuring of CHAMPUS. The Congressional Budget Office (CBO) and the Office of Management and Budget (OMB), as you recall, issued widely ranging cost estimates. At the urging of this and other Congressional Committees the CRI was to be tested in six states beginning in April 1988, rather than full headlong implementation in 1988, as originally sought by the Pentagon. We agreed with the Congress' decision last year to postpone full immediate implementation, and in hindsight this was a wise decision..

Mr. Chairman, as you know, in January of this year, the Pentagon, after a frustrating bidding process, launched the new program with the signing of a $26.9 million contract with Foundation Health Corp., Sacramento, Calif., for coverage in California and Hawaii. Dr. William Mayer, Assistant Secretary of Defense for Health Affairs, said that if the program expands nationwide, it could reach $3 billion in five years.

Beneficiaries in the two states will have three choices: stay in the present program, enroll in an HMO-style system, or in a third alternative that offers PPO-style options of additional providers. Either of the managed care choices is designed to expand benefits and simplify or eliminate filing claims.

Foundation Health Corp., will subcontract with its own Foundation Health Plan for coverage in northern California; Partners Health Plan (a Voluntary Hospitals of America-Aetna joint venture) for southern California; Queens Health Care Plan of Hawaii; and Blue Cross of Washington and Alaska for help in claims processing.

The Pentagon expects cost savings up to 10 percent by the second year and hopes to expand into Arizona, New Mexico and Nevada by the third year. Excessive cost overruns would be absorbed by the contractor.

Mr. Chairman, we want you to know that the managed care system options have inherent problems particularly for the military dependent who finds him or herself in need of treatment for a mental illness, and for those who, prior to CHAMPUS reform, had access to an exemplary mental health benefit package.

We fear that this new military health care reform initiative will be hindered by the historic stigma attached to mental and addictive disorders and the lack of third party payor appreciation of the cost-effectiveness of psychiatric treatment. We have found that services for the treatment of these disorders are often the first to be compromised under "fixed-price" or "managed care" systems. While we support the CRI's announced thrust on "benefit enhancement" and by statements from CHAMPUS officials to the effect that reductions in mental health benefits are not a part of CHAMPUS Reform, our concerns vis-a-vis access to these benefits, and their provision by trained medical professionals, remains untempered. While the new system encourages contractors to establish networks of "preferred providers", you should know that this delivery system's effectiveness in assuring consumer access to quality mental health care is largely untested. What we do know, however, is that the financial incentives to the contractor in this approach point to underprovision of services, denigration of quality of services, and subsequent adverse effects on patient management and health. The fiscal incentives to maximize profit clearly run counter to one of the five objectives of the CHAMPUS Reform Initiative, i.e., improved beneficiary access to health care. The mental health managed care demonstration program, in effect in the Tidewater, Virginia area, appears to confirm many of our fears.

The Tidewater mental health managed care demonstration program is now in its third year of operation. Officals from OCHAMPUS and the Pentagon site-visited the project in January and have met with administrators from the contract hospitals in an attempt to resolve what appear to be the most serious problems from the beneficiary point of view—an apparent diminution in the level of care to which CHAMPUS beneficiaries are entitled and, in fact, receiving in the non-demonstration regions of the country. Staff from the American Psychiatric Association, the National Association of Private Psychiatric Hospitals and other affected national organizations in October visited with our respective association representatives in the Tidewater region and heard preliminary reports of a glaring and dangerous diminution in the level of mental health care delivered in the contract hospitals with predictions of high future recidivism rates.

While Congress in creating this demonstration project intended for the private contractor to provide an entitled level of care, the contractor, we are hearing, has not met this standard. We are now beginning to see that, in fact, as the program has been implemented, less care is being provided to CHAMPUS beneficiaries in the Norfolk and contiguous areas, in terms of the frequency, extent and types of mental health services, than are being provided to patients with similar conditions under the generally accepted norms for medical practice in the United States.

While the DOD argues that average patient outcome, rather than the quantity of health care services delivered, is the best measure of health care quality, we feel that each individual patient is entitled to the most appropriate medical care, which requires careful attention to the process of care for each patient. This process includes accessibility of care at an appropriate level; indicated diagnoses and appropriate treatment interventions; a duration of care adequate to permit the treatment interventions to have an effect; and continuity of care.

The level of benefit provided under this demonstration project is set by Congress. This benefit provides payment for medically or psychologically necessary services or supplies required in the diagnosis and treatment of illness or injury. Under CHAMPUS regulations, the process of care, not average patient outcomes, determines what is included in the CHAMPUS benefit and appropriate medical care is determined based on prevailing national norms. We are alarmed that presently there is no mechanism in place under the demonstration contract to adequately measure patient outcomes in the project area nor to determine whether the contractor is providing the level of care required by statute and CHAMPUS regulations. The contractor for the quality monitoring phase of this demonstration has no such mechanism in place either.

We feel that Congress should inquire of CHAMPUS exactly what standard of care is in effect in the region so that national organizations and the Congress can better evaluate whether the required level of care is being delivered by the contractor. This information should include the standards or criteria employed by the contractor in deciding which treatment options are appropriate for a patient, how long such treatment should be continued, and when patients should be moved from one level of treatment to another. These decisions, although made in the short term, have a critical impact on the long term treatment of mental disorders and the prognosis for the patient. Reports we receive are that some treatments under the demonstration project are being terminated prematurely or that the appropriate type or length of treatment is being denied in the first instance. Obviously this would be unacceptable to the Congress, and this is why we bring it to your attention.

The impact and ramifications of this project are broad. If we are, in fact, enagaged in the process of collecting data on the cost and effectiveness of delivering an impermissibly reduced benefit, it would be most troubling if this data were used in the development of other demonstration programs. If there are deficiencies in this demonstration, they should not be perpetuated in others, for example the larger CHAMPUS reform planned for California and Hawaii.

The Tidewater experience is important as Congress authorizes the expansion of the managed care concept to other regions of the country and to other non-mentally ill populations. One lesson we have clearly learned is the importance of monitoring the quality of care provided to beneficiaries in the program. APA and its quality assurance committee would be pleased to work with this Committee and the Congress in planning for and developing the quality monitoring provisions for the larger CHAMPUS Reform initiative.

Mr. Chairman, let me move to a different aspect of the mental health delivery system-the program of residential treatment centers (RTC) which provides mental health treatment services to individuals not requiring full hospitalization. Recent proposed regulatory action by the Pentagon in the payment of residential treatment care for children under CHAMPUS is raising alarm in the mental health provider community because it seeks to utilize an "all-inclusive" per diem rate to cover the costs of all mental health treatment determined necessary and rendered as part of an individual treatment plan.

While dedicated to the proposition that RTCs should only provide medically necessary and appropriate care to the largely child and adolescent beneficiaries, we feel that this payment approach runs counter to an equally important objective-the continued delivery of care to our best capabilities. The Department of Defense bases this policy change on internal studies conducted during 1981-1984 which concluded that rates charged by RTCs were not reasonable, had "no basis" and showed no relationship to quality of care. The APA, the American Academy of Child and Adolescent Psychiatry, the National Association of Psychiatric Treatment Centers for Children and others disagree strongly with this conclusion, which fails to account for the disparate treatment goals of residential care settings and the fact that patients present with widely varying degrees of psychiatric disability, making uniform classification impossible and clinically irresponsible. An important contributing factor in the rise in RTC costs during this period is the 1983 implementation of the 60-day limitation on inpatient mental health treatment which necessarily caused a shift in the locus of care for individuals in continued need of active psychiatric treatment but no longer eligible for hospital benefits. One of the most drastic changes to be implemented through the "all-inclusive" per diem rate for RTC services is the proposal to cover both professional and institutional components in the single payment.

In essence, the psychiatrist and other health care professionals would have to seek payment from the RTC for services provided the RTC patient. Psychiatric services to CHAMPUS patients in RTCs have historically been billed and paid separately. The "all inclusive" per diem rate concept completely changes this policy and is contrary to law (10 U.S.C. Section 1079 (h) (1)). Congress has expressly required separate CHAMPUS payment for services rendered by individual health care professionals, and we feel that the DOD does not have the statutory authority to change this mandate and, therefore, must not.

This ill-conceived plan will likely have an adverse impact on the quality and availability of mental health care able to be provided to RTC patients. Patient freedom of choice will be compromised as the economic relationship between the RTC and the psychiatrist will likely result in severely limiting the availability of psychiatrists to provide needed services. The potential disruption to the physician-patient relationship will also negatively affect the continuity of care and the ability of the RTC and the psychiatrist to provide appropriate psychotherapeutic and pharmacologic treatment, given the limited resources available through an "all inclusive" per diem rate.

The Department's economic concerns must be tempered by the committment to provide the highest quality medical care to CHAMPUS patients. This bundling of services approach will only undermine the quality of psychiatric care provided the RTC patient.

We urge Congress to join with us and request the Department to reconsider its position and set aside this policy in favor of continued cooperative effort with mental health provider groups and professional and citizen organizations towards the development of a classification schema for RTC based on intensity of care provided rather than uniformity and accounting regularity. A committee of APA members is presently working towards the development of a professionally-acceptable methodology for the classification and ultimate reimbursement for psychiatric care.

Lastly, we would recommend that Congress assure the continued exclusion of mental health and substance abuse services and alcohol/drug hospitals and units from the CHAMPUS DRG-based payment system. We are aware that the Department of Health and Human Services has proposed to incorporate into the Medicare prospective payment system substance abuse services provided in alcohol/drug hospitals and units. We do not believe the data or studies conducted to support this inclusion into Medicare's PPS apply to the CHAMPUS population given the intensity and frequency of services provided to them. Until appropriate studies validate the use of DRGs for substance abuse disorders for the CHAMPUS population, CHAMPUS must not adopt guidelines predicted upon a significantly different population base. Therefore, we support the continued exclusion of mental health and substance abuse services, and alcohol/drug hospitals and distinct units from the CHAMPUS DRG payment system.

While the Medicare DRG payment system is based on an elderly population, CHAMPUS is clearly based on a younger and relatively healthier population. However, the APA and CHAMPUS are well aware of the additional stresses associated with military service that justify the historically more generous mental health benefits available to CHAMPUS beneficiaries, as noted in official correspondence from the Department of Defense. Because of their particular needs, unique recognition must be provided to the CHAMPUS beneficiary in need of psychiatric or substance abuse services.

Mr. Chairman, I have outlined three areas of actual and potential concern for the mentally ill dependent with the reforms designed by its DOD. Any thought that the effects will be limited to CHAMPUS or threaten only psychiatry or residential treatment centers, is a mistake. The massive privatization of the DOD responsibility for all health care to be given to all current and former military is a test of the concepts involved. The proposal combines HMO's, DRGs, capititation, preferred provider networks, exclusive enrollment contracts, single fixed-bid and contractor underwriting, staff and resource sharing between Military Treatment Facilities and civilian contractors, case management programs, and more. All of these are to be bundled together in a massive test. The GAO has recognized the massive scope of this test and has identified other key issues requiring resolution. We urge you to insist on adequate demonstration and thorough evaluation of CHAMPUS reform in the interests of your mentally ill military constituents before expanding this concept, and also to assist through the regulatory process in minimizing the adverse impact of the proposed guidelines for RTC care and prospective reimbursement of treatment for mental disorders.

Thank you, Mr. Chairman, and I would be pleased to answer questions.

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENT OF SYDNEY TALLY HICKEY, DIRECTOR, GOVERNMENT RELATIONS, NATIONAL MILITARY FAMILY ASSOCIATION

QUALITY OF LIFE FOR MILITARY

Senator DECONCINI. Our next witness will be Ms. Sydney Hickey, National Military Family Association.

Ms. Hickey, we welcome you here today. If you could summarize your statement, we will put your full statement in the record.

Ms. HICKEY. Thank you, Mr. Chairman.

The National Military Family Association appreciates this committee's dedication to the quality of life for military families and for the opportunity to express its views today. NMFA supports the 1989 Department of Defense request for a 4.3-percent pay raise and a variable housing allowance increase of 3.4 percent. We are aware that many other needed benefits will, therefore, not be within the budget limits. In better economic times, NMFA would be the first one to encourage singling out one or more of these issues for special consideration. These are not better economic times for service members and their families.

The 11-percent pay gap between the military and the private sector is not a statistic to young military personnel, it is survivability. Approximately 80,000 service members are taking home less pay this year than they did last year, including 60,000 in the grades E–6 and below. It is difficult to convince them that they had a 2-percent pay raise.

BURDENS ON MILITARY FAMILIES

The VHA caps of the last 2 years, in concert with the VHA redistribution of 1988, have caused economic havoc for military families in many areas of the country. Contrary to common perception, today's military families are not getting a free ride. They are subsidizing their service to their country. Military families do not have free moves. The service member absorbs $2 out of every $3 he spends to make his PCS. Fifteen percent of enlisted personnel and 19 percent of officers pay for the shipment of part of their own household goods out of their own pocket. Military families do not have free housing. Over two-thirds of military families must live in the civilian community. These families currently absorb 22.5 percent of their housing costs versus the mandated 15 percent.

Those fortunate enough to live in Government quarters have usually endured a lengthy and costly temporary loading, and of course, lose their basic allowance for quarters and their VHA.

Military families do not have free health care. Access to no cost health care in a military treatment facility is becoming a lost dream for retirees and their families, and is restricted for active duty family members. Costly CHAMPUS copayments, often much higher than the mandated 20 to 25 percent, are making substantial and unexpected dents in family budgets.

CHILD CARE PROGRAMS

The gainfully employed wives of military members with young children contribute more to their family income than do their civilian peers. They earn less, and their unemployment rate is two and one-half times that of their civilian peers. Sixty-seven percent of all military children are under the age of 9. The need for adequate and affordable child care is obvious. However, apparently in order to put its child care center on a more businesslike footing, one Army post in Arizona recently raised its child care center rates by over 50 percent.

Senator DECONCINI. Was that at Fort Huachuca?

Ms. HICKEY. No, sir; it was Yuma.

Senator DECONCINI. Yuma Proving Ground?

Ms. HICKEY. Yes, sir; these rates are currently as high or higher than those in the local civilian community.

We have a letter in our written testimony from a young enlisted wife that is stationed there with all of these statistics that I would refer you to, sir.

The same area offers few jobs above minimum wage for the young military wife. Without the income of the wife, many young military families would be eligible for food stamps or other welfare programs.

NMFA opposes the initiative in the House Armed Services Committee bill, H.R. 4264, to reduce the 4.3-percent pay raise in order to fund an increase in the household goods weigh allowance and in order to give more to the basic allowance for quarters. Both increased weight allowances and increased BAQ are needed, but not at the expense of the pay raise.

It would be extremely difficult to explain to the single service member serving on the DMZ in Korea that part of his pay raise is going to pay for his quonset hut and outdoor plumbing.

In summary, uniformed personnel and their families obviously serve their country for reasons other than financial reward. There comes a time, however, when the need to provide adequately for their families will, of necessity, override other considerations.

After family separation, housing, medical care, and job or financial security are the reasons given by service members for leaving the service. Will indeed next year be the year that too many military families decide that the current reduction in all three of these areas leaves them no choice but to vote with their feet?

The highly technical military that this country now has cannot be maintained solely by new recruits, in a volunteer armed force or a drafted one. We learned in the 1970's that once the retention rate figures start down, they plummet.

Can the country again afford hollow armies and ships that cannot go to sea?

Mr. Chairman, NMFA strongly urges you and this committee to support the 4.3-percent pay raise and the VHA increase of 3.4 percent. And I thank you.

Senator DECONCINI. Ms. Hickey, thank you very much, and may I say, it is very rewarding to have an association like yours and yourself to concern yourself about the quality of life issues. I think they are so important, and I am very interested in your observation in pointing out the day care or child care problem.

Any information you have along that line in addition to the one you are going to supply us for the base in Arizona, I would welcome that. I am very interested in seeing that there is affordable child care for our military people for just the reasons you pointed out, and I am disappointed that the fees, from what you say, are more than what they are in the private sector in the Yuma area, and I intend to look into that.

Thank you very much.

Ms. HICKEY. Thank you, sir.

[The statement follows:]

NMFA
National Military Family Association

STATEMENT OF
SYDNEY TALLY HICKEY
DIRECTOR, GOVERNMENT RELATIONS

The National Military Family Association (NMFA) is a volunteer organization composed of members from the seven uniformed services, active duty, retired and reserve component, and their family members and survivors. NMFA is the only national organization whose sole focus is the military family and whose goal is to influence the development and implementation of policies which will improve the lives of those family members. NMFA appreciates this subcommittee's dedication to the quality of life for military families and for the opportunity to express its views today.

NMFA is extremely grateful to you Mr. Chairman for your steadfast support of military families and their quality of life. We sincerely wish you well, but you will certainly be missed.

NMFA supports the 1989 Department of Defense request for a 4.3% pay raise and a Variable Housing Allowance (VHA) increase of 3.4%. We are aware that many other needed benefits will therefore not be within the budget limits. NMFA reviewed each of the many issues that affect military families: their costs for Permanent Change of Station (PCS) moves, the decrease in the Overseas Student Travel program, the cuts in Morale, Welfare and Recreation (MWR) appropriated funding, the cut backs in some Community Service programs and the continuing increase in their out of pocket expenses for health care. Increased funding for these programs would help military families. In better economic times, NMFA would be the first to encourage singling out one or more of these issues for special consideration.

These are not better economic times for service members and their families. The 11% gap in pay between the military and the private sector is not a statistic to young enlisted personnel; it is a matter of survivability. Approximately 80,000 service members are taking home less pay this year than last year. It is difficult to convince them that they received a 2% pay raise. The VHA caps of the last two years in concert with the VHA redistribution of 1988 have caused economic havoc for military families stationed in many areas of the country.

Contrary to common perception, today's military families are not getting a free ride. They are subsidizing their service to their country. **MILITARY FAMILIES DO NOT HAVE FREE MOVES.** The service member absorbs $2 out of every $3 he spends to make his PCS. Fifteen per cent of enlisted members and nineteen per cent of officers pay for the shipment of part of their household goods out of their own pocket. **MILITARY FAMILIES DO NOT HAVE FREE HOUSING.** Over 2/3 of military families must live in the civilian community. These families currently absorb 22.5% of their housing costs versus the mandated 15%. Those fortunate enough to live in government quarters have usually endured a lengthy wait in expensive temporary lodging and, of course, lose their Basic Allowance for Quarters (BAQ) and do not draw VHA. **MILITARY FAMILIES DO NOT HAVE FREE HEALTH CARE.** Access to no cost health care in a Military Treatment Facility (MTF) is becoming a lost dream for retirees and their families and restricted for active duty family members. Costly CHAMPUS co-payments (often much higher than the prescribed 20% to 25%) are making substantial and unexpected dents in family budgets.

PCS and HOUSING

Since most service members do not itemize on their tax returns, the new income tax rules deny them reimbursement for their out of pocket moving costs. The Temporary Lodging Expense (TLE), an entitlement since 1968, is only funded for service members in the grade of E-4 and below. Few service members can calculate their reimbursement under this entitlement because of the complicated Department of Defense regulations governing this program. Household goods weight allowances have not been increased in 20 years (excepting weight allowances for junior enlisted members with less than two years service). Military families either must pay for excess weight or are forced to sell their belongings at the old duty station and buy replacement items at the new duty station.

In 1988, 60% of VHA recipients had their VHA reduced. NMFA's Hawaii Chapter 1987 Survey, Hawaii Final Report, showed 62.9% of respondents stated that they could NOT afford to live in the civilian community on their total current military compensation. Military families often find themselves caught in the middle of local economic trends that destroy the value of their only form of savings, their home. For instance, in Alaska there are families who bought homes in 1984 and 1985 who have been forced to extend their tours because they can't sell their houses. Houses have lost up to 1/3 of their value, rentals are down and those who can sell their houses are taking tremendous financial losses. This same situation exists for those who had to buy homes in Texas and Louisiana a few years ago. Some service families are continuing to pay mortgages on homes in these areas without the necessary return from renting the property. Unlike other government employees, and many employees in the private sector, military families must pay for all house hunting trips, and all costs of purchasing or renting a home.

MEDICAL CARE

When access to MTF's is restricted or denied, military families must rely on CHAMPUS. CHAMPUS costs have risen dramatically, not only for the government, but for the beneficiary as well. However, since less than 50% of the health care providers in this country accept CHAMPUS assignment, co-payments by the beneficiary in many areas are 40% instead of the prescribed 20% or 25%. The CHAMPUS supplemental policies that prudent service families purchase usually do not cover this excess charge. In addition, these excess charges cannot apply towards the catastrophic cap enacted by Congress in 1987. Charges for treatment not covered by CHAMPUS also do not apply. These bills, no matter how high, must be paid in full by members of service families or their military sponsors.

Many cost effective preventive medical procedures such as mammograms, children's physicals, cholesterol checks, blood pressure checks and PAP smears are not covered by CHAMPUS. Many military families go without these procedures, which may lead to costly medical treatment in the future.

Recent attempts to charge nuisance fees at MTF's, and PRIMUS and NAVCARE clinics (which are direct extensions of military treatment facilities) have angered and confused beneficiaries. Any attempt at cost sharing without guaranteeing the beneficiary access to treatment is unacceptable. Any attempt at cost sharing without an offset to this reduced compensation is clearly a cut in pay.

The military services now have control of their CHAMPUS funds and thus have an incentive to contain CHAMPUS costs by attempting to treat more CHAMPUS eligible beneficiaries in the direct care system. Therefore, NMFA is concerned that Medicare-eligible beneficiaries will be denied access to MTF's as a cost saving measure. Hospital accreditation and Graduate Medical Education programs depend on a comprehensive health care delivery system which must include a broad spectrum of patients. The services must be able to treat patients of all ages and both sexes.

SPOUSAL EMPLOYMENT AND CHILD CARE

The gainfully employed wives of military members with young children contribute more to their families income than do their civilian peers, yet earn less. Military spouses find it nearly impossible to maintain their own career advancement or to match their skills to job vacancies because of the frequent and unpredictable relocation associated with a military career. It is an ongoing struggle to accrue seniority and benefits which often vanish with the next move. The resultant unemployment and underemployment of military spouses detracts from the standard of living for a military family. 46% of enlisted wives and 35% of officers wives are employed below their skill levels. In March 1987, 60% of all military spouses were in the work force. Their unemployment rate was 2 1/2 times that of their civilian counterparts.

Since 67% of all military children are under the age of 9, the need for adequate and affordable child care is obvious. However, apparently in order to put its child care center on a more business-like footing, one Army post recently raised its child care center rates by over 50%! These rates are currently as high or higher than those in the local civilian community. This same area offers few jobs above minimum wage for young military wives. (See Encl 1) Without the income of the wife, many young military families would be eligible for food stamps and other welfare programs.

OVERSEAS STUDENT TRAVEL

Families already stationed overseas who have college age children face an unexpected financial hardship because of the reduction in funds for the Overseas Student Travel Program. Many families have expressed the feeling that the government has broken a contract with them. College students whose sponsor is stationed overseas lack the time and opportunity to travel across the United States by train, bus or automobile. These same students have a much more limited opportunity for employment to help defray part of their college costs. Other Federal employee student travel programs were not cut!

ADDITIONAL PROBLEMS

All of the services recognize the necessity and financial value of volunteer work. Yet, just at the time the Department of Defense issued a directive specifically prohibiting the services from using pressure to solicit volunteers, the Army volunteer clearing house program (the Installation Volunteer Coordinator), has been stripped of all funding. In addition, "drop in" care at installation child care centers is becoming almost a thing of the past. Lack of "drop in" child care is a strong impediment to those military spouses who wish to volunteer.

Cuts in MWR appropriated funds have caused increases in the costs of base movies and bowling alleys making these on-post family recreational activities as unaffordable as those off-post.

Forced reductions leading to the involuntary separation of non-retirement eligible personnel on short notice, the forced retirement of senior personnel and the stagnated promotion opportunity are all sending a negative message to those very people the services need to retain. (See Encl 2)

CURRENT INITIATIVES

NMFA fully supports the CHAMPUS Reform Initiative beginning in California and Hawaii, the Catchment Area demonstrations, the use of civilian health providers within military treatment facilities and exempting medical personnel from force reductions. NMFA also supports the initiative of the House Armed Services Committee to extend and make permanent the rental deposit guarantee program. All of the services and the Department of Defense are working on programs to assist spousal employment. The training and licensing of in-home child care providers continues to help to meet the need for child care. However, none of these initiatives will alleviate the current severe economic problems faced by military families.

NMFA opposes the initiative included in the House Armed Services Committee's Bill (HR 4264) to reduce the 4.3% pay raise in order to fund increases in the household goods weight allowances and Basic Allowance for Quarters (BAQ). Both increased weight allowances and increased BAQ are needed but not at the expense of the pay raise! It would be difficult to explain to the single service member serving on the DMZ in Korea that part of his pay raise is going to pay for his Quonset hut and outdoor plumbing. All service members need to know that Congress is aware of their financial problems.

SUMMARY

Uniformed personnel and their families obviously serve their country for reasons other than financial reward. There comes a time however, when the need to provide adequately for their families will, of necessity, override other considerations. After family separation, housing, medical care and job/financial security are the three reasons given by service members for leaving the service. Will next year be the year that too many military families decide that the reduction in all three of these areas leaves them no choice but to "vote" with their feet? The highly technical military that the country now has can not be maintained solely by new recruits - either in a volunteer armed force or a drafted one. We learned in the 1970's that when retention figures start down they can plummet. Can the country again afford hollow armies and ships that cannot go to sea?

Mr. Chairman, NMFA strongly urges you and this committee to support the 4.3% pay raise and the VHA increase of 3.4%.

LETTER FROM ENLISTED WIFE

23 Dec 1987

TO WHOM IT MAY CONCERN:

Now, six months later, I find myself needing the use of the Child Care Center again as the Army Child Development Services has forbidden mothers to babysit in their quarters unless they are trained and certified by the Army. The Child Care Center has however raised their rates from $35 a week to $55 per week by direction of the Commander. I have enclosed a copy of the newest correspondence from the Center for your information. After speaking to several women, we realized something had to be done, because the wife of an enlisted man works to feed and cloth her children. Many women told me that they would have to stop working because their whole paycheck would go to daycare. It was then that I called every Daycare Center in the City of Yuma, which incidentally is 30 miles away from Yuma Proving Ground, to see if indeed the prices were comparable to that of YPC. The prices that I was quoted are as follows:

Children's Center	$43 per week	(602) 783-8309
Green House Day Care	$43 per week	(602) 782-1585
Happy Day Children's Center	$50 per week	(602) 783-4347
Kiddie Land	$50 per week	(602) 343-2217
Kids Academy	$52 per week	(602) 344-1443
Little Sprouts	$52 per week	(602) 782-1553
Magic Moments	$50 per week	(602) 344-1443
Yuma Preschool	$45 per week	" 344-6670
Marine Corps Air Station	$25 per week	" 726-1350

As you can see this is still considerably less than we will have to pay. However, many of us do not have time to drive 30 miles into town and 30 miles back before 7 AM. As well as calling the city of Yuma, we also called Ft. Huachuca, AZ , who also have a sliding scale:

If you make under $15,000 a year	$99 per month	additional child	80.00
$15,000-24	$153 per month	add. child	123.00
$24,000-34	$180 per month	add. child	144.00
$35,000-	$212 per month	add. child	175.00

We also checked prices in Ft. Rucker, AL.

Regardless of income $40 per week for one child and for two children $72.

We were told by the Child Development Coordinator that these new rates being charged were world wide standard Army rates. I realize that these rates may not bother the officers on this base who don't have kids that live at home but the entire enlisted community is devastated by these new rates we are being charged. Any assistance you can provide us would be very appreciated. However, if any action is to be taken, please keep my name confidential as I value my job, the priviledge of living on this base, and my husband values what little rank he has attained.

DEPARTMENT OF THE ARMY
UNITED STATES ARMY YUMA PROVING GROUND
YUMA ARIZONA 85365

REPLY TO
ATTENTION OF

Child Development Services 21 December 1987

Dear Child Development Services Patrons:

The Child Development Services (CDS) new child care rates will go into effect January 1988. CDS rates have not been raised for approximately two years. This rate increase is required due to added costs plus the loss of appropriated funding which paid for some of our child care positions. The new rates are in accordance with recommendations by a Department of Army Management Assistance Team which requires CDS to move toward self-sufficiency. Even with the new rates, CDS will still charge less than Child Care Centers in Yuma.

Starting in January child care shall be paid for on a full week basis even if your child should not attend one day due to illness or vacation time. CDS is required to schedule and pay a specific number of child care workers each day based on your weekly reservations. If you know your child is going to be absent for an extended period you need to notify the CDS Director to adjust your schedule accordingly.

CDS patrons shall designate whether they prefer weekly or hourly child care arrangements. Child care needs for either weekly or hourly child care shall be made upon enrollment at CDS or conversion to the new CDS patron rates. If CDS patrons must change their stated child care needs they must notify CDS in writing of the intended change no later than five working days prior to the first working day of the week that the change is to become effective. Child care needs should not be changed each week.

New CDS patron fees are based upon total gross family income. CDS Income Statement forms may be obtained at the CDS Center. The income shall include military base pay and civilian earnings. All patrons must fill out an income statement in order to be billed for services. Failure to complete income statement shall result in being charged the highest child care rate.

Weekly CDS child care rates shall be as follows, effective 4 January 1988:

Total Gross Income	First Child	Additional Children
$0 - 12,250	$37	$32
$12,251 - 22,250	$45	$39
$22,251 - above	$55	$47

Hourly child care is available by reservations, on a limited basis due to a shortage of child care space. Hourly child care rates are based upon a flat fee of $1.50 per hour for each child.

CDS collection policy allows the maximum of 30 days credit. Failure to comply with this policy shall result in loss of services. A $5.00 fee shall be assessed to your account for each month that shows a delinquent payment.

Any questions concerning new CDS rates and policies may be addressed to CDS Director or the undersigned.

Sincerely,

ERNEST L. SPIVEY, JR.
Lieutenant Colonel, U.S. Army
Director, Personnel and
Community Activities

DISPOSITION FORM

For use of this form, see AR 340-15; the proponent agency is TAGO.

REFERENCE OR OFFICE SYMBOL
STEYP-CA-AD

SUBJECT
Child Development Services Income Statement

TO CDS Patrons

FROM Child Development Services

DATE 15 DEC 87

CMT 1

Alice M. Noblitt/rb/2589

1. This income statement is to be completed for the purpose of determining the appropriate child care rate to be paid be patrons for services rendered.

2. Weekly child care rates shall be determined by total gross family income. The income shall include military base and civilian earnings.

3. Please check the proper income category:

Total Gross Income	First Child	Additional Children
(__) $0 - 12,250	$37	$32
(__) $12,251 - 22,250	$45	$39
(__) $22,251 - above	$55	$47

List all children's names and ages below.

Name	Age
______________________________	________
______________________________	________
______________________________	________
______________________________	________
______________________________	________

Sponsor's Name ____________________________________

Rank/Grade ____________________________________

Unit/Place of Employment ____________________________________

Spouse's Name ____________________________________

Rank/Grade ____________________________________

Unit/Place of Employment ____________________________________

4. I hereby certify that all of the above information is true and correct. I understand that this information is to be used to determine my child care rates. It is my responsibility to notify CDS in a timely manner of a change in my child care category.

Date ____________ Sponsor's Signature ____________________

CONFIDENTIALITY: The information you provide will be treated confidentially and will be used only for determining child care rates and the number of children enrolled in specific age group.

DA FORM AUG 60 2496 PREVIOUS EDITIONS WILL BE USED

4710 Lennox Blvd.
New Orleans, LA 70131
April 7, 1988

General Al Gray
Commandant of the Marine Corps
Headquarters United States Marine Corps
Washington, D. C. 20380-0001

Dear General Gray:

You don't know me, but your signature has caused great anguish and unhappiness in our household - one that has devoted over 30 years of service to the Corps. April first I had the dubious honor to pick up your "letter" to my husband whom you called "Rufus" yet you don't know him well enough to be so personal.

Rufus has been a Marine first and foremost since enlisting on his 17th birthday. He has lived and breathed USMC ever since. He has executed every order; we as a family have moved over 15 times so that we could offer mutual support rather than remain separated. I have had the trauma of finding and losing over 18 jobs; our children have attended at least eight different schools; and moving has always cost more than we were reimbursed. We just finished repaying over $1400 in overweight that it cost us for our most recent move while our civil service counterparts have a greater weight limit. The house that we bought last June had been on the market for over 18 months, and we are expected to sell it in less than six. Because I am certified to teach only in California without taking more courses we are forced to move to that state with high income tax if I am to find employment in my field, or move elsewhere and put out the money and time to attend school.

You said on nation-wide television that if "the Marine Corps wanted you to have a wife, it would have issued you one." Therefore, you waited many, many years to marry. Did that make you a better Marine? I am sorry, but you do not have firsthand experience to know exactly what we, as Marine families, have shared and suffered through 30 years in a marriage devoted to the Corps.

You may or may not have read my articles published by The Gazette nor heard the speech I gave at the 1985 Russell Leadership Conference. I have enclosed them for your information. What you have done with the stroke of your pen is forced the early retirement of many of the finest, most experienced officers and leaders the Corps has ever had. They fought and defended its honor in every "clime and place." Have your ever considered asking staffs to recommend people for retention or promotion? They experience the presence or absence of real leadership and should have a say. I pray for the Corps, because the message you have just given Majors, Lt. Colonels, and others is to get out early while they are still young enough to find employment elsewhere. "You cannot count on the current leadership of the Corps."

These few fine officers and their families are suffering from a feeling of incompleteness. It was expressed in a prayer by Sir Francis Drake which says,

"O Lord God, when Thou givest to thy servants to endeavor any great matter, grant us also to know that it is not the beginning, but the continuing of the same until it be thoroughly finished which yieldeth the true glory ..."

You are not letting these Marines complete their obligations.

In June 1987 we were moved for the third time in 34 months to the 4th Marine Division in New Orleans for a final tour expecting to retire in 1990. Base housing was not available for at least two years so it was either rent for over $1200 per month or buy. Unfortunately we bought investing over $21,000 to include a $6,000 addition to hold the ever present USMC "I love me" room which we have used often to entertain fellow Marines of all ranks. Now, in nine months, we have been forced to place the house on the market with the prospect of losing at least $9,000 or more. This is not to mention that my employment will also cease with such a move.

The Corps has asked a great deal of its people; but YOU are asking the ultimate. If we survive, we will surely write how it was accomplished because it will have to be on our own with the help of God. You are probably thinking that I am bitter; you are correct. Over the years I have spoken to many Marines and spouses on how to have a loving marriage and still give full allegience to the Corps and how to survive the hardships and separations that you and your wife have not experienced.

Just as I have put aside the gold Marine Corps pendant that I have worn so proudly, so you are putting aside my husband and other outstanding Marines in their prime. I hope that there is at least one leader left with the charismatic style of my husband.

The only way to accept this sentence is to pray that God has better plans for us. I wish you well as you try to put the pieces back together.

Good luck,

Paula C. Bowers

cc. President Ronald Reagan
Secretary of the Navy
Senator Albert Gore, Jr.
Senator Jim Sasser
The Gazette
National Military Family Association
The Retired Officer
The Navy Times
60 Minutes
and many military friends

COMMITTEE OF AMERICAN AMMUNITION MANUFACTURERS

STATEMENT OF WILLIAM BURMEISTER, COMMITTEE OF AMERICAN AMMUNITION MANUFACTURERS

ACCOMPANIED BY LAUREN R. HOWARD, LEGAL COUNSEL, COMMITTEE OF AMERICAN AMMUNITION MANUFACTURERS

ARMY AMMUNITION APPROPRIATIONS

Senator DECONCINI. Next will be Mr. William Burmeister, Committee of American Ammunition Manufacturers.

Your full statement will be included in the record. If you would summarize it for us, please, and introduce your colleague.

Mr. BURMEISTER. Mr. Chairman, I have with me today Lauren Howard, who is CAAM's legal counsel. We appreciate the opportunity to appear today and comment on the Army ammunition appropriations for fiscal year 1989, and also the ammunition defense industrial base.

As a representative of CAAM, and that stands for the Committee of American Ammunition Manufacturers, I speak on behalf of the ammunition companies that comprise this ad hoc committee whose purpose is to promote national defense and sustain a viable defense industrial base.

As you well know, there are serious concerns about the eroding defense industrial base. High-ranking officials, congressional committees, Presidential commissions, and other experts in the field of defense have warned that unless a new policy is formed to ensure a sound defense industrial base, the United States could find itself unable to respond adequately in the event of a military crisis.

Ammunition, as you know, is a vital component of the U.S. defense industrial base. Maintaining ammunition production facilities and stockpiles is essential to assuring our defense readiness capability. Although a great deal of attention gets properly paid to nuclear weapons and SDI, the United States cannot afford to underestimate the critical role played by the front line soldier.

It is, therefore, significant that alarms have been sounded and expressed about the readiness condition of the ammunition sector, and I only cite here in the interests of brevity Gen. Bernie Rogers, who is the retired former Supreme Allied Commander of Europe wherein last August he stated that the ammunition available would sustain allied forces for only a very limited period of time, and General Thompson, who has just recently retired from the Army, also advised Members of Congress that the Yom Kippur War taught us a lesson, that we could not replace materiel that we provided Israel, and it also graphically showed how fast you can consume materiel in the time of an intense conflict.

That type of conflict, of course, represents a danger to our national survival.

STRENGTHENING OF CONVENTIONAL FORCES

As the Senate moves closer to a possible ratification of INF, it becomes even more imperative that we sustain funding for conventional ammunition, and removing certain nuclear weapons from Europe leaves the United States with no alternative but to assure that conventional forces are strong and ready to be put into use on short notice.

For these reasons, it is essential that the level of ammunition funding be sufficient to ensure that national security is secure.

Therefore, we urge you at a minimum to maintain the administration's budget of $2,007,800,000 for fiscal year 1989. As you know, this reflects about a 12-percent reduction from last year's level. In fact, in light of the House Armed Services Committee's recent increased authorization of $2,026,000,000, we believe it entirely appropriate to increase the budget for this important sector. Even with a House increase for the ammunition budget, and like other aspects of the defense budget, there will be a decline in actual revenues.

DEFENSE INDUSTRIAL BASE

Given the current budget deficit, we fully understand and appreciate the necessity for decreasing funding, although we are concerned about its implications for the defense industrial base. Because of these concerns, we urge you not to reduce the ammunition budget further and consider an increase in funds available for ammunition procurement.

However, approval of sufficient funding is merely the first step in ensuring a strong ammunition base. While the base clearly needs monetary support, it also has to be preserved.

Two additional actions are required to accomplish that goal. First of all, CAAM believes that the funding should be made only available to producers that are actually a part of the ammunition defense industrial base. Given that these companies make extensive investments and commitments of equipment and other resources in order to maintain readiness, they should not be required to compete with either U.S. producers that are not fully qualified or foreign firms that could prove unreliable in times of national emergency.

We, therefore, propose that legislation be enacted which restricts procurement of ammunition and components thereof to producers that are part of the ammunition defense industrial base unless the Secretary of the appropriate military service believes that an exception is necessary.

In that event, of course, we have what is known as a J&A, justification and approval, that could supply the necessary authority to purchase ammunition and components from nonbase producers. Under this proposal, the United States would be assured of a sufficient industrial base to meet its wartime needs, while at the same time the Defense Department would have requisite flexibility to make purchases from nonbase producers if NATO and other considerations warrant such action.

Senator DECONCINI. Mr. Burmeister, I am going to have to ask you to summarize the balance of your statement, if you will, please. I have six more witnesses.

Mr. BURMEISTER. All right. I am sorry.

Senator DECONCINI. Thank you, sir.

CICA

Mr. BURMEISTER. CAAM is also concerned about interpretation of CICA and, unfortunately, CICA has been keyed in on price-only competition, so we would like to get that modified to the extent that price is not the driving criterion for acceptance of competitive bids.

Basically, we just urge you to maintain adequate funding levels for the ammunition production and preserve the ammunition defense industrial base.

Thank you.

[The statement follows:]

COMMITTEE OF AMERICAN AMMUNITION MANUFACTURERS

TESTIMONY OF

WILLIAM BURMEISTER

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear today and comment on the Army ammunition appropriations for fiscal year 1989 and the ammunition defense industrial base. As a representative of the Committee of American Ammunition Manufacturers ("CAAM"), I speak on behalf of the U.S. ammunition companies that comprise this ad hoc committee whose purpose is to promote national defense and a viable defense industrial base. I am also the vice president of marketing for Nuclear Metals, Inc. I am accompanied by Lauren R. Howard, CAAM's legal counsel.

As you well know, there are serious concerns about the eroding defense industrial base. High ranking officials, congressional committees, presidential commissions and other experts in the field of defense have warned that, unless new policy is formed to ensure a sound defense industrial base, the United States could find itself unable to respond adequately in the event of a military crisis. The Ichord Report issued in 1980 by the House Armed Services Committee revealed that "there has been a serious decline in the nation's defense industrial capability that places our national security in jeopardy. An alarming erosion of crucial industrial elements, coupled with a mushrooming dependence on foreign sources for critical materials, is endangering our defense posture at its very foundation." The Packard Commission, in its 1986 report to the President on defense management, recommended the establishment of "a comprehensive and effective national industrial responsiveness policy to support the whole spectrum of potential emergencies." In his annual report to Congress for fiscal year 1988, Defense Secretary Casper Weinberger warned that continued erosion of the industrial base could "rob the United States of technical expertise necessary for long-term economic survival" and "could alternately lead to a 'hollow defense' if vigorous action is not taken now."

Ammunition is a vital component of the U.S. defense industrial base. Maintaining ammunition production facilities and ammunition stockpiles is essential to ensuring our defense readiness capability. Although a great deal of attention properly gets paid to nuclear weapons and strategic defense initiatives, the United States cannot afford to underestimate the critical role played by the front-line soldier. As the Assistant Secretary of Defense for Acquisition and Logistics emphasized in a report to the

House Committee on Appropriations in December 1986: "Ammunition production capability is essential to the deterrence, fighting, and winning of a war. As such, preservation of the ammunition production base takes precedence over other political and economic considerations."

It is therefore significant that alarm has also been expressed about the defense readiness of the ammunition sector. A December 1986 report issued by the Assistant Secretary for Acquisition and Logistics emphasized that while the ammunition production base is currently "adequate to meet peacetime requirements with some limited surge capabilities," additional capability is necessary to fully meet surge and mobilization requirements. Last March, Lt. General Peter G. Burbules, Deputy Commanding General for Materiel Readiness, Army Materiel Command, testified before the Senate Armed Services Committee that "[t]o satisfy ammunition mobilization deficiencies, alone, the cost of new facilities and preventive and remedial maintenance through FY89 is estimated to be $31.8 billion over the FY88/89 budgeted peacetime modernization." In fact, General Bernard Rogers, U.S. Army (Ret.), former Supreme Allied Commander Europe, stated last August that "[t]he ammunition available would sustain allied forces for only a very limited period of time." Echoing these sentiments, General Richard H. Thompson advised members of Congress last summer: "The Yom Kippur war in the Mid East taught us that we could not quickly replace the materiel we provided Israel. It also graphically showed how fast materiel can be consumed in intense conflict — the very type of conflict which represents the greatest danger to our national survival . . . . "

Ammunition manufacturing is a very complicated process requiring sophisticated technology and highly skilled workers in order to meet exacting military specifications. In a crisis, our nation could face severe consequences if some of our conventional ammunition industrial facilities had shut down their production lines and there was an inadequate domestic marketplace from which to stock our arsenal. Because U.S. ammunition manufacturers cannot turn to commercial markets to ensure the orders needed to maintain production and earnings, such companies are dependent upon government policies, including defense requirements and budgets, for their survival.

Moreover, as the Senate moves closer to ratifying the intermediate-range nuclear force treaty, it becomes even more imperative to sustain funding for conventional weapons programs. Removing certain nuclear weapons from Europe leaves the United States with no alternative but to assure that its conventional forces are strong and ready to be put in use. For these reasons, it is essential that the level of ammunition funding be sufficient to ensure that our national security is indeed secure.

We are therefore here today to urge you, at a minimum, to maintain the Administration's budget request of $2,007,800,000 for ammunition for fiscal year 1989. The requested amount reflects a reduction of 12 percent from last year's level. In fact, in light of the House Armed Services Committee's recent increased authorization of $2,026,000,000, we believe it would be entirely appropriate to increase the budget for this important sector. Even with the House increase, the ammunition budget -- like other aspects of the defense budget -- will suffer a decline in available revenues. Given the current budget deficit, we understand the necessity for a decrease in funding, although we are concerned about its implications for the defense industrial base. Because of those concerns, we urge you not to reduce the ammunition budget further and to consider an increase in the funds available for ammunition procurement.

However, approval of sufficient funding is merely the first step in assuring a strong ammunition production base. While the base clearly needs monetary supports, it also needs preservation. Two additional actions are required to accomplish that goal. First, CAAM believes that funding should only be made available to producers that are actually a part of the ammunition defense industrial base. Given that these companies make extensive commitments of equipment and other resources in order to maintain the necessary readiness, they should not be required to compete with either U.S. producers that are not qualified as base sources or foreign firms that could prove unreliable in times of national emergency.

We therefore propose that legislation be enacted which restricts procurement of ammunition and components thereof to producers that are part of the ammunition defense industrial base, unless the secretary of the appropriate military service believes that an exception is necessary. See Attachment 1. In that event, the execution of a justification and approval would supply the necessary authority to purchase ammunition and components from non-base producers. Under this proposal, the United States would be assured of a sufficient industrial base to meet its war-time needs while, at the same time, the Defense Department would have the requisite flexibility to make purchases from non-base producers if NATO or other considerations warrant such action. With multiple sources comprising the base, there would still be adequate competition to ensure that the U.S. government receives low-priced, high-quality products to assist the national defense.

In fact, CAAM's proposal has been approvingly cited by General Richard H.

Thompson, U.S. Army (Ret.), who appeared before the House Banking Committee's Subcommittee on Economic Stabilization last July to discuss his proposal to give procurement priority to base producers. In his testimony, this former commander of the U.S. Army Materiel Command urged that the United States

> restrict procurement of end items and critical components to sources in the U.S. and Canada, the North American or domestic industrial base by treaty agreement, unless a specific item analysis shows the domestic base is adequate and healthy. This would require a reversal of the current requirement under the Competition in Contracting Act to fully justify restricting procurement to the domestic base. Instead one would be required to justify not restricting a procurement to the domestic base. This would still provide for adequate and effective competition among our domestic producers. A recently formed Committee of American Ammunition Manufacturers has proposed this arrangement to the House Appropriations Committee for the FY 88 budget.

Second, while CAAM believes that competition is desirable, such competition should be sensibly applied. CAAM is greatly concerned about the current interpretation of "full and open competition" under the Competition in Contracting Act which emphasizes price and gives little consideration to quality and reliability. In fact, if the Defense Department actually analyzed the full cost of an acquisition, especially when the purchase of a low-priced, poor quality product results in reprocurement of the same item, it would become clear that the lowest bid does not necessarily mean that the military ultimately paid the lowest price. Such "price only" competition also has an adverse effect on competent suppliers who have lost business to unqualified low-priced competitors and find it difficult to maintain their viability. If such companies are forced to close their operations, then competition will suffer as the number of competitors declines.

CAAM believes that there should be specific statutory language which alters the current emphasis on bid prices and requires equal consideration of such factors as competency, product quality, reliability, and use of advanced technology. See Attachment 2. CAAM urges support for this provision which ensures that other-than-price factors are given appropriate weight in the bid evaluation process.

In closing, Mr. Chairman and members of the Subcommittee, I urge you to maintain adequate funding levels for ammunition production and to preserve the ammunition defense industrial base. Thank you for your attention.

ATTACHMENT 1

PROPOSED LANGUAGE TO BE INSERTED AS A SEPARATE SECTION OF THE GENERAL PROVISIONS PORTION OF THE FY89 DEFENSE APPROPRIATIONS ACT

No funds appropriated under this Act shall be used to procure ammunition in the budget categories identified as Army ammunition, Marine Corps ammunition, Air Force munitions and associated equipment, and Naval air launched ordnance, ship gun ammunition and other Navy ammunition, or components thereof, which is manufactured outside of the United States or Canada; Provided, that the Secretaries of the military services may authorize an exception to this provision for a specific procurement by execution of a justification and approval that an exception is necessary. A listing and summary description of all such exceptions granted, and an analysis of their effect on the viability of the U.S. defense industrial base, shall be submitted by the Secretary of Defense to the Chairman of the Appropriations Committees of both Houses one year after the date of enactment of this Act.

No justification and approval under 10 U.S.C. § 2304(f) shall be required to restrict procurements under this provision to United States and Canadian sources.

ATTACHMENT 2

"PRICE ONLY" COMPETITION

SEC. ______. MODIFICATION OF DEFINITION OF FULL AND OPEN COMPETITION.

(a) Definition of Full and Open Competition. — Paragraph (3) of section 2302 of title 10, United States Code, is amended to read as follows:

> **"(3) The term 'full and open competition' means, in connection with the award of any contract, that a sufficient number of responsible sources are permitted to submit sealed bids or competitive proposals on the contract as is necessary to ensure effective competition while maintaining quality and encouraging technological progress. In evaluating any sealed bids or competitive proposals, consideration shall be given to such factors as price, contractor competency, product quality, contractor reliability and use of advanced technology.".**

(b) Technical Amendment. — Section 2302 of such title is further amended by adding at the end the following new paragraph:

> **"(5) The term 'responsible source' has the same meaning provided for such term in section 4 of the Office of Federal Procurement Policy Act (41 U.S.C. 403).".**

BUDGET REQUIREMENTS

Senator DECONCINI. Do you think the President's budget does that? Is that adequate?

Mr. BURMEISTER. Yes; we would like to see a plus, if possible. There are items——

Senator DECONCINI. But in your judgment, it meets the requirements that we have. You just do not want to see it reduced.

Mr. BURMEISTER. That is right.

Senator DECONCINI. Thank you. Thank you very much for your testimony.

Next we will hear from Mr. Kenneth Blaylock, American Federation of Government Employees.

I see that he is not here.

VOICE. Senator, he is on his way over.

Sergeant Major McKinney has agreed to go ahead, if we could just switch them.

Senator DECONCINI. Sure.

NON-COMMISSIONED OFFICERS ASSOCIATION OF THE U.S.

STATEMENT OF SGT. MAJ. C.A. MACK McKINNEY, USMC (RET), LEGISLATIVE COUNSEL, NON-COMMISSIONED OFFICERS ASSOCIATION OF THE USA

CHALLENGES FACING ALL-VOLUNTEER FORCE

Senator DECONCINI. We will now hear from Mr. McKinney, Non-Commissioned Officers Association.

Mr. McKinney, if you would summarize your statement for us, your full statement will be included in the record.

Mr. McKinney, we are very pleased to have you here on behalf of the Non-Commissioned Officers Association.

Sergeant Major McKinney. Thank you, Mr. Chairman. I appreciate your patience and understanding today.

My prepared statement addresses a number of issues and challenges. I like to say challenges rather than problems we are facing in today's all-volunteer force, and one of them is the 4.3-percent increase in pay, and another is a hike in our variable housing allowances. Both of them are very important to the establishment of the morale in the services and in maintaining their readiness.

I would like to use what little time I have today to speak of a recurring problem that crops up every time there is a reduction in the strengths of the Active Armed Forces. The Army, for example, and perhaps the others later on, is thinking of involuntarily separating thousands of noncommissioned officers. Now, these are the ones who, a few years ago, we could not get our ships to sea because we did not have enough of them, and also we had a hollow Army because we did not have enough of them

Now, the Army wants to RIF them in lieu of officers simply because, as Lieutenant General Hickey of the Air Force stated, that it is an instant economy. The fact is that an officer gets separation pay but enlisted people do not.

Now, we have been after this committee for at least 14 years along with those of Armed Services asking why we cannot get separation pay for enlisted people, particularly who qualify in the same or similar manner as commissioned officers or Federal employees or whatever the case is.

Now, we had a couple of bills introduced some years ago, but the Department of Defense came along and said OK, we will include separation pay in any of the military retirement changes we have that will go to Congress.

Well, they did this time and time again until the year before last, when the House Armed Services Committee called upon DOD to come in with a final recommendation and they knocked out the separation pay for enlisted people.

Now, in respect to that, we pay our officers—and I am going to make one example here. We have got an officer whom we spend taxpayers money, over $100,000 to put him through one of our academies, and then we commission him, and all we ask from them is 5 years of committed service. Well, at the end of that 5 years, if they want to get out, they could be entitled to separation pay, and if they stayed a little longer, up to a maximum of $30,000. And enlisted personnel, for example, can be RIF'ed at 5 years all the way up to 19 years, 11 months, 29 days and receive not one cent in remuneration.

[The statement follows:]

THE NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

"STRENGTH IN UNITY"

STATEMENT OF

SERGEANT MAJOR C. A. (MACK) MCKINNEY, USMC (RET.)
LEGISLATIVE COUNSEL
NON COMMISSIONED OFFICERS ASSOCIATION OF THE USA (NCOA)

The Non Commissioned Officers Association of the USA (NCOA) is headquartered in San Antonio, Texas with a National Capital Office (NATCO) located in Alexandria, Virginia. NATCO is staffed with six (6) noncommissioned and petty officers; five (5) retired and one (1) veteran; with a combined record of more than 140 years of military service and 40 years of representing the NCOA in governmental affairs. Two additional staff members are married to military personnel. Of the eight, there are two each with ties to the Army, Navy, Marine Corps or Air Force.

NCOA membership is currently in excess of 160,000. It is representative of all branches of the Armed Forces with a majority on active duty serving worldwide. Most of the association's active chapters are located on or near military installations. This close relationship with the military community is the cornerstone by which the association builds its legislative initiatives program.

"I'd rather have a smaller force that is effective than a large one that is ineffective."

Frank Carlucci
Secretary of Defense

The United States does not now have a "large" force (see FIGURE 1 below). It does have a "sizable" strength that is far from being ineffective. Its personnel are better educated, better qualified, have a higher experience factor, and their combat readiness is the best in the nation's peacetime history. To reduce their numbers would dangerously impede the ability to meet current objectives and sustain the high degree of readiness our nation now enjoys.

FIGURE 1

MILITARY MANPOWER STRENGTHS

1960 (PRE-VIETNAM)

SERVICE	OFFICERS[1]	ENLISTED	TOTAL	RATIO[2]
ARMY	101.236	770.112	871.348	7.6 to 1
NAVY	73.944	544.040	617.984	7.4 to 1
MARINES	16.203	154.408	170.611	9.5 to 1
AIR FORCE	129.689	685.063	814.752	5.3 TO 1
(TOTALS)	(321.072)	(2.153.623)	(2.474.695)	6.7 TO 1[3]

1973 (POST-VIETNAM)

SERVICE	OFFICERS[1]	ENLISTED	TOTAL	RATIO[2]
ARMY	110.797	672.703	783.500	6.1 to 1
NAVY	71.505	476.297	547.802	6.7 to 1
MARINES	18.692	172.839	191.531	9.3 to 1
AIR FORCE	116.263	548.138	664.401	4.7 to 1
(TOTALS)	(317.257)	(1.869.977)	(2.187.234)	5.9 to 1[3]

1987 (Mar. 1)

SERVICE	OFFICERS[1]	ENLISTED	TOTAL	RATIO[2]
ARMY	113.258	660.846	774.104	5.8 to 1
NAVY	76.113	507.441	583.554	6.7 to 1
MARINES	20.190	178.750	198.940	8.9 to 1
AIR FORCE	113.455	498.127	611.582	4.4 to 1
(TOTALS)	(323.016)	(1.845.164)	(2.168.180)	5.7 to 1[3]

1- Includes cadets
2- Enlisted-to-officer ratio in DoD (to nearest 1/10th)
3- Average enlisted-to-officer ratio in DoD (to nearest 1/10th)

It is imperative that the nation retains its current force. Congress must insure that the United States, first of all, has the quality and number of uniformed personnel to man the ramparts. If one reviews the National Security Strategy of the United States, January 1988, a major target is to reinforce the gains the nation has achieved over the past years. To reduce military manpower jeopardizes the first strategic objective- to restore our nation's military strength. It's as important to retain good people as it is building weapons. As one prominent author recently wrote: **"BETTER TO HAVE GOOD MEN IN BAD SHIPS THAN BAD MEN IN GOOD SHIPS".**

There's an old saying that the "past is prologue." Those who fought and lived through some of the great battles of World War II, Korea, and Vietnam can attest to that fact. Although the development of weapons caused them to became more and more powerful and sophisticated, it was still sheer manpower strength and quality that wrenched the land from the enemy.

High on NCOA's list of concerns is the past and current practice of first selecting enlisted personnel to reduce the size of the force.

For some years now the military services have whittled-down their enlisted strengths to meet fiscal constraints on military personnel appropriations. Much of the reduction comes from early discharges of enlisted servicemembers not willing to reenlist. There is but little fault with this means; however, NCOA is concerned that future reductions in military manpower may target some enlisted careerists who have been important to the service, that is, until it becomes cutting time. They are discharged, thrown into the civilian sector with no given chance to transist, and without separation pay which is available to commissioned officers, warrant officers, reservists and Defense's civilian employees under similar circumstances.

NCOA is not opposed to having adequate numbers of officers to accomplish the missions assigned to the armed forces, but it believes that the current ratio of enlisted-to-officers (see FIGURE 1 above) is an item for consideration. NCOA objects to:

o using officer billets where enlisted will suffice (i.e.- piloting helicopters, training and education, administration and personnel)-

o increasing work hours for enlisted personnel to accommodate accelerated losses in the enlisted grades (reminiscent of the late 1970s)-

o excusing the policy of trimming enlisted strengths in lieu of officers because the latter may be eligible for separation pay.

NCOA, once again, urges Congress to heed the voices of the military enlisted community. And to recall to mind that it was this Association that first warned the nation's legislators of the coming exodus of experienced enlisted personnel in the late 1970s. Another warning is now being sounded. If Congress reacts well, the troops will continue to stand at the ready and perform their missions above and beyond the call of duty. If not, we'll see a revival of the days of hollow armies and ships that can't go to sea.

MILITARY COMPENSATION. NCOA urges the Congress of the United States to improve the compensation package for most military personnel so that amounts receivable realistically equate to those now earned in the civilian sector. The package should reflect increases in basic pay and subsistence (BAS) and housing

(BAQ/VHA) allowances (so that housing costs for military personnel residing off-post will reflect the intent of Congress to subsidize 80% of the costs).

o Lack of concern by Congress in the 1970s for adequate and comparable compensation caused many talented and qualified personnel to leave the military for civilian pursuits. The results were devastating. Experience proves that it's more expensive to rebuild a strong manpower readiness capability than to maintain one.

- Military pay is estimated to be some 11% behind comparable civilian pay, based on the current Employment Cost Index (ECI). Not only have basic pays been capped the last six (6) years (below increases in the private sector) but out-of-pocket housing costs for servicemembers have gone from 15 percent in 1981 to 22 percent in 1987.

- Compression still exists in the noncommissioned/petty officer pay grades, particularly among E-4s thru E-7s. Enlisted members in pay grade E-4, for example, are charged with greater responsibility, yet the increase from the next lower grade is less than that received for advancement from grade E-2 to E-3. The last "targeted" pay hike for NCOs/POs was in FY 1982. It partially addressed the issue but failed to correct the continuing disparity.

- The 1986 congressionally-approved military retirement system (P.L. 99-348) was allegedly designed to encourage longer active service, yet pay scales for some mid-level officers and enlisted pay grades were not restructured to encourage retention beyond 20 years. Needs to be addressed by Congress.

ENLISTED SEPARATION PAY. NCOA advocates the passage of authorization for the payment of separation pay to regular-component enlisted personnel of the United States Armed Forces under conditions similar to provisions authorizing such pay to commissioned officers of the Uniformed Services as provided in Sections 642 and 1174, Title 10, United States Code.

o Enlisted personnel of the regular components of the Armed Forces are not entitled to separation pay even if their active service totals 19 years, 11 months and 29 days and their character of service is honorable. They receive nothing from the U.S. government to assist in transitioning from years of military living to an unfamiliar civilian environment.

- All other federal employees, including quasi-federal employees (i.e.- postal employees), foreign hires, commissioned officers of the Uniformed Services, and reservists called to active duty, are authorized separation (or severance or readjustment) pay when their active employment or service with the United States government is terminated.

- For more than a decade DoD has proposed separation payments for enlisted personnel in each of its drafts of legislation making changes to the (pre-1986) military retirement system. When faced with a ultimatum from Congress in 1986, DoD dropped the proposal from its final recommendation. It has not resurfaced despite earlier promises to advocate such legislation.

- Separation, severance or readjustment pay for enlisted personnel has been recommended by the following:

  + Interagency Committee (IAC) - 1971
  + DoD Retirement Study Group - 1972
  + Defense Manpower Commission - 1976
  + President's Committee on Military Compensation - 1978
  + General Accounting Office (GAO) - 1972 and 1978

MILITARY HEALTH CARE. The purpose of the military health care system is to create and maintain high morale in the uniformed services by providing an improved and uniform program of medical and dental care for eligible beneficiaries (as defined in Chapter 55, Title 10, U.S. Code). ... Application of a user tax or fee, or similar charge for the receipt of health care should be no more than currently imposed upon beneficiaries pursuant to sections 1075, 1076, 1079 and 1086 of Chapter 55, Title 10, U.S. Code. Section 1078 should be repealed.

o The Civilian Health and Medical Program for the Uniformed Services (CHAMPUS) requires substantial reform. Priority should be focused on requiring civilian physicians, et al, who subscribe to Medicare to accept CHAMPUS patients (and to directly submit claims for reimbursement); stabilize program of accepted care and treatments (constant changes tend to confuse participants); establish a $3,000 annual catastrophic limit for military retirees and their dependents; expand authority to commanders of military catchment areas to personally supervise funds for CHAMPUS (as well as all health care programs) available to eligible beneficiaries within his/her area of responsibility, and authorize the use of CHAMPUS by retirees and dependents, 65 years of age or older, if Medicare fails to cover the required care available under CHAMPUS.

o PRIMUS and NAVCARE. Continue authorizing and funding these clinics until MTFs and CHAMPUS are again able to accommodate eligible beneficiaries.

- HIGH MORAL OBLIGATION. In 1974 the House Armed Services Committee reported that medical care to nonactive duty beneficiaries was a high moral obligation based on promises made to servicemembers as inducements to enlist, reenlist and stay for careers.

TRAVEL AND TRANSPORTATION. In complying with official orders involving travel, temporary duty, and changes of station, the federal government should reimburse military personnel for legitimate out-of-pocket expenses incurred while performing such orders.

o Permanent Changes of Station. Congress continues to reduce PCS fundings because of a belief that the military services do not use prudence in ordering uniformed personnel from station-to-station. Servicemembers must use their own finances to effect the move and are never fully reimbursed by the government. Military personnel need to be treated in a manner more closely related to that which provides reimbursements authorized to federal employees moving under official governmental orders.

o Household Goods. The current weight allowances for the transportation of household goods are anachronistic, based solely on the pay grade of the servicemember without consideration for family size or time-in-service. Allowances should be a reflection of all three considerations with greater weight given to family size. Time-in-service should have as much influence as pay grade. It's inequitable to authorize a greater allowance for a newly commissioned officer (pay grade O-1) than a NCO/PO in pay grades E-4 thru E-8.

o Temporary Duty and Per Diem Allowance. A per diem allowance is provided military personnel ordered to temporary duty away from a permanent duty station. Commissioned officers receive both per diem and subsistence allowances while enlisted servicemembers normally receive the per diem but no subsistence allowance. Equal payments to enlisted personnel were authorized in 1980 but Congress has failed to appropriate funds. Require appropriations for this item.

o Temporary Lodging Expenses. FY 1987 defense authorization act limited TLE to pay grades E-4 and below undergoing permanent change of station. TLE originally authorized to alleviate out-of-pocket expenses incurred by servicemember when seeking housing at new duty station. FY 1988 authorizes payment to all grades. Full funding for this program is needed to alleviate use of appropriations from other personnel programs.

MORALE, WELFARE AND RECREATION (MWR). Congressional actions over past few years have reduced appropriated fund (APF) support. Visibly affected are revenue-generating activities, particularly in metropolitan areas. The result has been a decided decrease in troop morale and a difficulty in finding adequate funds to operate on-post clubs. MWR is critical to the nation's military effectiveness.

o MWR Facilities in Metro Areas. The congressionally-generated rationale that similar activities are readily available for the troops in the civilian community is questionable. Location, cost, and membership eligibility preclude many servicemembers from actively participating.

o MWR Facilities in General. Available to troops, not only to improve morale and provide recreation as a physical outlet following the daily work schedule, but to keep them occupied during off-duty hours. In many areas, facilities offer incentive to stay on-post rather than travel long distances over short periods of time to find outside recreational outlets. In short, MWR helps save lives that might otherwise have been lost on the highways.

o Clubs. Should not be classified fully as revenue-generating activities. Most used for other purposes; i.e.- meetings, symposiums, classrooms, conferences, etc. Require some appropriated funds.

o Commissaries. Halt the insidious attempt by the Administration to privatize military commissaries and, possibly, on-post retail stores (exchanges). More than adequate justification has been presented to Congress over the past 15 years to close the book on this subject once and for all. Congress is urged to insert language in the authorization bill to forbid the testing of or the actual privatization of military commissaries and exchanges.

Miscellaneous. The following miscellaneous proposals are supported by NCOA and recommended for adoption by Congress.

o Reserve and Guard Incentives. Continue to authorize and fully fund all incentive programs for persons joining, reenlisting or extending their tours with the Selective Reserves or National Guard.

o Recruiting and Advertising. Authorize and fund greater appropriations for services to recruit quality personnel, particularly when number of available and prospective young men is dwindling and civilian sector is becoming more competitive in its recruiting tactics.

REENLISTMENT BONUSES

Senator DECONCINI. Is that a hangover from the draft? What is the history of that just historically? There must be some reason that that was not necessary for the enlisted personnel, and I thought maybe it was because more of them were drafted than the officers they were trying to attract in.

Sergeant Major MCKINNEY. DOD used to use the excuse that the reason they did not pay separation pay to enlisted people was because they enlisted for a specific term of enlistment, for 2, 3, 4 years only, and that they receive reenlistment bonuses, or they receive bonuses.

Well, that is not true in today's army.

Senator DECONCINI. Do they still receive bonuses? They do, do they not?

Sergeant Major MCKINNEY. Only certain ones receive the bonuses.

Senator DECONCINI. I see.

Sergeant Major MCKINNEY. But now, there are many, many officers who receive bonuses, doctors, pilots, you can name one after another that receive those bonuses. So that case is not true anymore.

SEPARATION PAY TO NONNATIONALS

And I particularly was disturbed last year when I found that we were—you know, we pay separation pay to foreign nationals who we hire who work for the military government, and the case of spending $200,000 on an average to pay Japanese nationals who were separated from a contractor who had a contract with the Department.

Senator DECONCINI. Do you have any estimations, Mr. McKinney, of what it would cost if there was separation payment similar to what is done in the officers corps?

Sergeant Major MCKINNEY. Yes, sir; I had that a number of years ago. All we are asking for is probably a basic 1 month's pay in addition to allow them to have some money to make the transition to civilian life. Even if they got out of the service, it takes them 4 weeks before they can draw any unemployment compensation.

Senator DECONCINI. You make a good point.

Sergeant Major MCKINNEY. Anyway, that is what I wanted to bring to the attention of the committee.

Senator DECONCINI. Well, thank you very much, Mr. McKinney.

Is there any legislation pending now?

Sergeant Major MCKINNEY. No, sir, and I am going to start back—I have asked the Department of Defense to do this again. They said they would take a look at it. I have heard nothing from it, but I will start again this year.

Senator DECONCINI. I would welcome having you come by and see Mr. Roemer in my office. I would like to talk to you a little bit more about it.

Sergeant Major MCKINNEY. Fine. Thank you very much.

Senator DECONCINI. Thank you.

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

STATEMENT OF KENNETH T. BLAYLOCK, NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

STATUS OF FEDERAL EMPLOYEES

Senator DECONCINI. Mr. Blaylock, I can take your testimony now for about 5 minutes, or you can wait until I come back from a vote. What is your pleasure?

Mr. BLAYLOCK. It is up to you, Mr. Chairman.

Senator DECONCINI. Well, come on ahead. Your full statement will be printed in the record, and I will have to leave in about 5 minutes.

Mr. BLAYLOCK. We have submitted our full testimony to the committee, and I do have an oral statement.

Senator DECONCINI. Without objection, it will be in the record.

Mr. BLAYLOCK. I appreciate that very much.

Mr. Chairman, as president of the union representing a large portion of the Federal employees, we do appreciate the opportunity to appear.

I would just like to preempt my remarks by saying that our concerns are growing about what is happening to the career Federal work force in all agencies. For purposes of this hearing, obviously, we are dealing with DOD, but we have a very demoralized work force out there. There have been tremendous cutbacks, and the civilian workers in defense are just as much a part of the defense team, the team of national security as any other component, but you have got real problems with the Federal workers out in the defense agencies today with retaining and attracting competent workers, and we have got to work on that.

There is a series of issues affecting our DOD employees, including contracting out, personnel cuts, the Monroney amendment dealing with pay, and the proposed alternative personnel systems in S. 2254, as well as civilian technician issues. All of these are addressed in my written statement, but today I will highlight our concerns in two areas: One, the DOD personnel policy and the civilian technician problem.

DEFENSE PERSONNEL POLICIES

You have heard from many experts on the adverse impact of boom and budget defense budgets, and I just want to reiterate the harm such budgeting does to defense personnel as well. Civilian personnel in DOD went from about 960,000 in 1980 up to 1,085,000 in 1985 but it is projected to fall back to 1,064,000 in fiscal year 1989 with further reductions anticipated and proposed.

Earlier this year many of the defense installations offered early out retirements as a way of paring the personnel, and the Air Force Logistics Command threatened a 10-day furlough, which is 2 weeks' pay for employees. It has now been reduced to 4 days, and we do not know what will happen to that.

I do know that as a result of employee reaction to that furlough and assistance from many concerned members here on the Hill, that was reduced, but there is still a real problem out there.

I cannot tell you which weapons systems can be cut and which deserve to be funded, but Mr. Chairman, I do know something about dealing with people, and I know that this is no way to run a personnel system.

Our national security efforts are essential to the survival of America's democracy and possibly the long-term survival of democracy around the world. To paraphrase President Kennedy, we must attract and retain the best and the brightest. The personnel needs of our national security system are met by really a close woven web of uniformed military, civilian employees, and contract workers. None of these are more important than the other. If one group of these workers fails to do their job, the whole defense effort suffers or maybe even fails.

I do not think the American people want a national security system or a defense effort that is mediocre, and I know they do not want one that fails. In dealing with people you have got to be conscious of two things really: One, their economic reality, and two, their perceptions of fairness.

In regard to the civilian employees——

Senator DECONCINI. Mr. Blaylock, I am going to have to run and vote. If you can just hold on there, I will be back in about 5 minutes.

Mr. BLAYLOCK. OK, Mr. Chairman, I will be glad to.

Senator DECONCINI. OK.

Mr. BLAYLOCK. Thank you very much.

[A brief recess was taken.]

CIVILIAN TECHNICIAN PROBLEMS

Senator DECONCINI. The committee will reconvene.

Mr. Blaylock, sorry about that. Please finish up your testimony.

Mr. BLAYLOCK. Thank you, Mr. Chairman.

As I was saying, in dealing with people, you have got to be conscious of two things, their economic reality and their perceptions of fairness, and in regard to civilian employees, over the last decade the Congress and the executive branch has failed to deal with either of those needs as far as the civilian work force is concerned.

A a result, today you are losing and driving out thousands of highly skilled and one-time dedicated workers. You cannot recruit employees today. And you cannot motivate the employees you have, it seems like.

How can you justify, as an example, a 4.3-percent pay increase for the uniformed military, in excess of a 5-percent average pay increase for contact workers, and cap the civilian pay at 2 percent? How can you justify full employment for two of these groups of employees, furloughs, layoffs, reductions in force and threats of further reductions in force, layoffs, part-time work, temporary work for the other group?

MONRONEY AMENDMENT

There is also some problem with the blue-collar pay, and in particular, the need to restore the Monroney amendment. Many of our defense areas are located in areas around the country where you do not have the skills in the private sector that you use on the bases. When the Monroney amendment was eliminated, we lost our ability to reach out to private industry and get proper job matches to set the pay rates for the blue collar workers who work at many of our defense activities.

And with reductions in force that have gone on and the attrition that has gone on, Mr. Chairman, if you are going to do more with less, we had better make sure that those people we are depending on are the best and the brightest, that their morale is good, and that they are highly motivated.

We urge your committee to provide sufficient funding in the O&M accounts to avoid furloughs, RIF's, further RIF's in the DOD work force, and to include some language that would bar such actions.

RESERVE FORCES

I would like to speak for a moment about the problem faced by the civilian technician, the National Guard, and Army Reserves. And Mr. Chairman, no element of our defense and our national security has a prouder tradition than the civilian soldier, starting with the Revolutionary War. We have been before this committee and many others over the years as we have seen the Reserve Forces in many ways, many ways we see the civilian technicians attacked, we see their ability to do the job constrained and constrained.

Despite years of increased budget restraint, military managers are again seeking to increase appropriations for the most costly and least efficient active duty, Guard and Reserve program that has come along in a long time, and that is the AGR program. We urge this committee to decrease funding for the AGR program and increase the funding for the more economically and more efficient civilian technician program.

In our previous testimony before this and other committees of the Congress, we have repeatedly pointed out the surveys, audits, investigations, and so on that have demonstrated civilian technicians are the most efficient way to supply that need for the full-time support of the Armed Forces.

MILITARY EDUCATION PROGRAM

Most recently, the Government Accounting Office has been examining the economy and the efficiency of the military education program, as an example, MEPS. That is a program that requires the civilians to go out of their home State for professional military training. State schools offer similar training, equal quality, but they are not acceptable under that program.

I have not seen a copy of that report yet, but I have heard that it will once again show the military program to be more expensive and less effective than the State school. The MEPS program has seemingly been designed to supplement civilian technicians with AGR's. Its failure again demonstrates the foolishness of that effort.

The Federal Labor Relations Authority has described the status of National Guard technicians as employees who are employed in a full-time civilian position to administer and train the National Guard and to maintain and repair supplies issued to the National Guard or the Armed Forces.

As civilian employees, they enjoy none of the job protections of their civilian counterparts elsewhere.

The history of the citizen soldier in this country is a long and honored one. Indeed, our military operates on the premise that it must be kept under and be subordinate to the civilian authorities. Yet, in the case of civilian technicians, the situation over the years has been reversed.

Senator DECONCINI. Mr. Blaylock, could I ask you please to summarize the balance of your statement?

Mr. BLAYLOCK. Yes, sir; I will be more than glad to.

Senator DECONCINI. Thank you.

UNIFORM USE BY CIVILIAN TECHNICIANS

Mr. BLAYLOCK. A prime example is the military forcing civilian technicians to wear their uniforms, and Mr. Chairman, you know that issue. You have been around a long time, and during that week period when those people are civilian technicians, there is no purpose, no reason other than to intimidate, subjugate the civilian workers to act like they are in the military. When they are on active duty on the weekends, they should be, and they have been, and they can be.

We would ask the committee to pay some attention to those efforts, too.

Finally, Mr. Chairman, let me again express my appreciation to you and to the committee for giving us an opportunity to speak out in behalf of the civilian workers of this government.

[The statement follows:]

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES
Affiliated with AFL-CIO

STATEMENT BY

KENNETH T. BLAYLOCK
NATIONAL PRESIDENT

My name is Kenneth T. Blaylock. I am the National President of the American Federation of Government Employees (AFGE), AFL-CIO, which represents 700,000 government employees nationwide, including 300,000 in the Department of Defense.

I appreciate the opportunity to testify on the FY 1989 Appropriation Bill for the Defense Department (DOD).

There are a series of issues affecting our DoD employees including contracting out, personnel cuts, the "Monroney" Amendment, the proposed alternative personnel system in S. 2254, and civilian technician issues which I will address in my statement today.

CONTRACTING OUT

Before commenting on current issues related to contracting out in DoD, I would like to note that AFGE has previously testified that it believes the time has come for comprehensive legislation governing this government's contracting out for federal sector services. The Office of Management and Budget continues to utilize the existing legislative void to administer contracting out policies to the detriment of the nation's taxpayers, good government, and federal employees. Recent OMB actions to expand this program and to modify the rules governing contracting out clearly demonstrate that the Administration intends to worsen contracting out abuses.

While Congress and this Committee have in the past legislated restrictions on contracting out, these actions have not addressed the root of the problem, nor provided a cure. Rather, they have merely provided the first important and necessary step of recognizing the problem and temporarily ameliorating some of its adverse effects.

It is an absolute scandal that there are no effective budgetary controls on the size and cost of the contracted out workforce. We strongly urge that the Committee require DoD to place service contracting out on a line item basis with civilian payroll cost. After all, the cost of contracting out is just an alternative cost for human resources doing government work.

In reference to rapidly escalating contracting out costs, there are a number of sources to document these increases even though DoD and other agencies do not make an annual report to the Congress. (AFGE conservatively estimates that contracting out costs will be 45-50 billion dollars in FY '88, roughly comparable to the entire civilian payroll. Most of these costs are concentrated in DoD). Let me review a few of these cost increase cases that are available to the public, mostly from GAO reports. In the first case, GAO audited service contracts at Selfridge Air National Guard Base and the Tank-Automotive Command in Michigan. The dollar facts are that the original contract was let in December, 1980, for a three-year period at $6.9 million. Three years later, these contract costs had increased to $11 million--a 60% increase over three years. At Richards-Gebaur Air Force Base in Missouri, costs for a support contract grew from $4.8 million in 1979 to nearly $10 million in 1984 -- a 104% increase. At Kelly Air Force Base in Texas, GAO reported that costs for an equipment measurement laboratory contract jumped from $2 million to $4 million in two years. In the Army Southeast Region, a telephone service contract with RCA escalated 15% in the first year and negated the estimated savings for the entire five year period of the contract. Time after time, official reports document that contracting out costs are escalating at a rate of over 20% per year and that the purported savings -- based on "estimate to estimate" economics -- are not being realized when audited on an estimated cost to actual payment basis.

A report submitted to Congress in early 1984 further supports that contracting out costs escalate rapidly. This data was in response to the FY 1984 DoD Authorization Act (Public Law 98-174) that requested data on contracting out between October 1, 1980, and October 1, 1982. The DoD report reviewed their experience with 235 contracts awarded under the provisions of OMB Circular A-76. As shown on the primary chart from this report (Attachment 1), DoD asserts that the cost of contract operation was 24% less than the bids submitted by the in-house workforce. It should be noted that the 24% savings (Part A of the chart) is based upon estimate to estimate calculations. Fortunately, this particular law, initiated by Representative Roy Dyson of Maryland, required DoD to report "the actual cost of contractor operation." Since the actual costs of contracting out are not normally made public, DoD had to so some fast calculating when the numbers came in (Section B. line 6 of Attachment 1) because the actual costs for contracting had increased substantially over the estimates (plus $89 million or 11.4%) in the first year (Attachment 2).

In addition to this data, the cost information on Attachment 3 shows the estimated cost and actual payments for ten service contracts in the Department of Defense. This data is documented by GAO Report NSIAD-85-49, earlier GAO reports, and military service correspondence. As can be seen, the contractor bids for this work totaled just over $44 million, but the actual payments were $70 million. . .a 59% increase in actual cost. This type of data indicates that, as with hardware procurement, cost controls are not present in the A-76 process and, therefore, estimated savings are not forthcoming.

Adding to this information is a recent Army evaluation of their contracting out program. This report cites a number of deficiencies in the contracting out program, including findings that costs associated with contracting out are escalating rapidly and that savings reported for the A-76 program are highly suspect. Further, the report concludes that the Army contracting out program is inconsistent, inefficient, and floundering.

The basic point made here is that more and more data is surfacing that indicates that contracting out does not save money when faced with actual cost numbers as opposed to the usual "estimate to estimate" savings rhetoric.

Given these facts we urge the Committee to restrict all A-76 studies until comprehensive legislation can be established to regulate contracting out.

PERSONNEL REDUCTIONS

You have heard from many experts on the adverse impact of "boom and bust" defense budgets. I just want to reiterate the harm such budgeting does to defense personnel as well. Civilian Personnel in DoD went from 960,000 in 1980 to 1,085,000 in 1985 (an increase of 125,000). But, it is projected to fall to 1,064,000 in FY 1989 with further reductions anticipated.

Earlier this year, many defense installations offered early out retirement as a way of paring personnel and the Air Force Logistics Command threatened a 10-day furlough.

I am not a defense expert. I cannot tell you which weapons systems can be cut and which deserve to be funded. But I do know something about dealing with people, and I do know that this is no way to run a personnel system. Our national security efforts are essential to the survival of America's democracy, and possibly to the long term survival of democracy around the world.

To paraphrase President John F. Kennedy, "We must attract and retain the best and the brightest". The personnel needs of our national security system are met by a close woven web of uniformed military, civilian federal employees, and contract workers. None of these are more important than the other. If one group of these workers fails to do their job, the defense effort suffers or maybe even fails. I don't think the American people want a national defense that is mediocre, and I know they don't want one that fails.

In dealing with people, you must be conscious of their economic reality and their perception of fairness. In regard to the civilian employees over the last decade, the Congress and the Executive Branch has failed to deal with either need. As a result, today you are losing and driving out thousands of highly skilled and one time dedicated workers. You cannot recruit the employees you need, and you can't motivate the employees you have.

How can you justify a 4.7 percent pay increase for the uniform military, a 5 percent plus pay raise for most contract workers, while capping civilian pay at 2 percent? How can you justify full employment for two of these groups, and furloughs, layoffs and reductions-in-force for federal employees?

If you are going to do more with less, you had better make sure that those people you are depending upon are the best and the brightest; that their morale is good; and that they are highly motivated.

We urge the Committee to provide sufficient funding of the O&M accounts to avoid furloughs and/or RIF's for DoD employees and include language to bar such actions.

MONRONEY AMENDMENT

Although this issue is probably not appropriately addressed in the DoD Appropriation Bill, we hope the members of this Committee would support the restoration of the Monroney Amendment.

The Monroney Amendment is a provision contained in Public Law 90-560, which was approved by Congress in 1968. It is named after the amendment's sponsor, Senator A. S. Mike Monroney of Oklahoma. The purpose of the Act was that special consideration was to be given to local areas with concentrations of federal blue collar employees in specialized industries.

It required federal agencies conducting wage surveys to "determine whether there exists in the local wage area a number of comparable positions in private industry sufficient to establish wage schedules and rates for principal types of positions for which the survey is made. . ." If federal agencies find that the number of comparable positions is insufficient, they must set wages on the basis of both local private sector rates and rates paid for comparable positions in the nearest wage area with similar employment and industrial characteristics.

Monroney Amendment prevailing wage determinations applied to all federal civilian employees through 1985. However, when Congress adopted the Department of Defense Authorization Bill for fiscal year 1986, a provision in that bill exempted DoD civilian employees from wage determination coverage. The DoD Authorization Bill permitted the Defense Department to establish wage schedules for its civilian personnel. As a consequence, DoD civilian employees' wages have been depressed below those of their civilian agency and private sector counterparts. A House Bill, H.R. 4145, would restore wage determinations for DoD civilian employees, so they will not be a class apart from employees working for other federal agencies and we urge your support for similar action in the Senate.

ALTERNATIVE PERSONNEL SYSTEM

We also want to take this opportunity to state our opposition to the alternative personnel system proposed in S. 2254, introduced by Senator Jeff Bingamam (D-NM). This proposal would carve out some 300,000 employees in DoD acquisition and logistics for a new pay and personnel system which would allow for higher pay and establish a "pay for performance" pay system.

We recognize the compensation problems faced by the employees addressed in the Bill and we appreciate the motives of

Senator Bingaman and the cosponsors of this legislation in addressing these problems. However, we have two basic and fundamental disagreements with the proposed approach which leads us to oppose the alternative personnel system in this legislation.

The whole federal compensation is badly out of balance because of the artificial caps and manipulations that have occurred over the last ten years. While this Committee must concern itself with defense appropriations, we want to point out that the entire federal pay system is in a terrible state of disarray. The Senate Governmental Affairs Committee and the House Post Office and Civil Service Committee are currently beginning review of the entire compensation system. We look forward to working with those Committees to rebuild a pay system that once again acheives comparability with the private sector and serves the need of all government agencies.

If the Congress follows the path of trying to patch up every area of compensation as each area reaches a crisis stage, we will end up with a hodge-podge of hundreds of separate pay and personnel systems with no overall coherence. Such a gerrymandered pay system would be a nightmare to administer. Mobility between Federal agencies would be restricted. Popular agencies would end up with more generous pay systems than less popular agencies. The principle of equal pay for equal work would be undermined.

We also have grave reservations over the content of the alternative pay system based as it is on performance evaluations, pay-for-performance, bonuses, and performance awards.

Merit pay in the Federal sector has not been a success. Surveys of federal executives and managers continually show wide dissatisfaction with the merit pay system. For example:

o A survey by the Federal Managers' Association last year showed 50% of the respondents said that they had seen evidence of forced distributions and 44% had seen ratings changed.

- An August 1987 GAO Report (GAO 1GGD-87-106FS) on Senior Executives who had left government service showed that 41% of them cited unfair distributions of bonuses as a great or very great reason for their leaving.
- The recent survey by the Federal Executive Institute found that 66% of the Institute's alumni believed that the merit pay system was not based on true merit and 68% said that it wasn't worth the time or energy involved.
- The December 1987 report by the Merit System Protection Board on its survey of managers showed that only 45.4% believed that better performance was likely to lead to more pay.
- The January 1987 report by the GAO on pay for performance for managers stated that 52% of the managers indicated that performance awards did not motivate them to perform better.

Our members continually heap abuse on the performance evaluation system complaining of irrelevant standards, forced distributions and management bias.

This proposal is a recipe for disaster. Compensation decisions inevitably will be tainted with the perception, if not the reality, of bias, favoritism, discrimination, and cronyism.

We urge the Committee to oppose this proposal.

CIVILIAN TECHNICIANS

I would like to speak for a moment about the problems faced by civilian technicians in the National Guard and the Army and Air Force Reserves. Despite these years of increased budget restraint, the military managers are again seeking to increase appropriations for the more costly, less efficient active duty guard and reserve soldiers (AGRs). We urge this Committee to decrease funding for the AGR program and to increase funding for the more economically efficient civilian technician.

The latest proposal of the reserves is a scaled down "test centers" concept. This would remove civilians from individual Reserve units and place them in omnibus Reserve components based upon the functions they perform. This is not the sort of experiment we would entrust to a management that has repeatedly failed to demonstrate their competence.

In our previous testimony before this and other committees of the Congress we have repeatedly pointed out surveys, audits, and investigations that demonstrate civilians as technicians most efficiently supply the full-time support for the armed services.

Most recently, the Government Accounting Office (GAO) has been examining the economy and efficiency of the military education program (MEPS). That's a program that requires civilians to go out of their home states for professional "military" training. State schools offering similar training of equal quality are not acceptable. I have not seen a copy of the report yet, but I have heard that it will, once again, show the military's program to be more expensive and less effective than the state schools. The MEPS program was seemingly designed to supplant civilian technicians with AGRs. Its failure demonstrates the foolishness of that effort.

The Federal Labor Relations Authority has described the status of national guard technicians as employees who are employed in full-time civilian positions to administer and train the National Guards and to maintain and repair the supplies issued to the National Guard or the armed forces. But, as civilian employees, they enjoy none of the job protections of their civilian counterparts elsewhere.

They must maintain dual status as civilians and as soldiers in their units. They must pass through a retention process on their part-time military side that is too often arbitrary and capricious in nature. They have no right to appeal this "military" decision regardless of how egregious this action is. Some of the civilians who have been actively seeking improved labor management relations through union activity have been rejected by the military as unfit reservists. This leaves the impression, if not the reality, of anti-union animus. This constant struggle by the military to make all of its civilian employees into psuedo-soldiers during the day is demoralizing and counter productive.

The history of the citizen/soldier in this country is a long and honored one. Indeed, our military operates on the premise that it must be kept under, and be subordinate to, the civil authorities. Yet, in the case of the civilian technicians, the situation has, over the years, become one of creeping militarization of our civilian workforce. We believe there is an inherent danger in this subtle military encroachment. The situation involving the civilian technicians is one where the military is no longer existing for the purpose of protecting the rights of civilians, but in fact they are taking away the technicians' rights as civilians.

Unless the Congress plans to establish a five million person standing army, it is time to stand up to the "little Napoleons" who constantly strive for increased military control over these civilians.

A prime example is the military forcing civilian technicians to wear their reservist uniforms during their civilian work hours. But, these civilians wearing a military uniform are not allowed any of the privileges of a soldier. They cannot use commissaries, PXs, or health facilities. They do not receive free meals, free dental coverage, or subsidized housing. We urge the committee to include language in this appropriations terminating the practice of requiring full-time civilian employees to wear their weekend uniforms while performing civilian duties.

One additional problem that needs the Committee's consideration is the need for appeal rights. Currently, the National Guard's civilian technicians can only appeal adverse actions to Adjutant General (AG)--a state-by-state political appointee.

Employees in any workforce should be able to appeal adverse actions to an independent arbitrator without fear of political bias. That is why the Merit Systems Protection Board exists. Some say that the nature of the work would require "special understanding". We would not oppose the establishment of a separate board of appeals, similar in structure to that used by the State Department employees. At least the civilians would have some hope for a neutral and impartial judgement on the merits of their cases.

I will summarize our request to the Committee as follows:

1. Terminate the MEPS program;
2. Reduce the number of AGR positions;
3. Eliminate the uniform requirement for civilian technicians;
4. Grant appeal rights to the employees that face adverse actions; and
5. Oppose the setting up of experimental "test centers" in the Reserves.

Finally, Mr. Chairman, we would ask the ^Committee to encourage and support the growth of civilian technicians as they have proven to be the most efficient and economical component of our military readiness capability. Thank you very much for your time and consideration.

ATTACHMENT 1

Table 1

Conversions to Contract
Comparison of Original Cost Estimates with Revised In-House and Actual Costs

($ In thousands)

	Army	Navy*	Air Force	DOD Total
A. *Original Cost Estimates*				
1. In-house performance costs	527,772	25,914	485,347	1,039,033
2. Contract performance costs	450,795	19,134	319,909	789,838
3. Cost advantage (line 1 minus line 2)	76,977	6,780	165,438	249,195
4. Percent of cost advantage to in-house cost (line 3 divided by line 1)	15%	26%	34%	24
B. *Revised in-house cost estimate/actual contract costs*				
5. In-house revised estimates 1/	579,590	27,893	524,617	1,128,100
6. Actual contract costs	505,463	21,862	351,265	878,590
7. Cost advantage (line 5 minus line 6)	70,127	6,031	173,352	249,510
8. Percent of cost advantage to in-house cost (line 3 divided by line 1)	12%	22%	33%	22

* Includes Marine Corps.

1/ This revised estimate reflects changes in the scope of work not reflected in the origi estimate and wage rate increases that would have occurred had the work be accomplished.

ATTACHMENT 2

DEPARTMENT OF DEFENSE

CONTRACTING OUT COSTS
COMPARISON OF ORIGINAL CONTRACTOR COST ESTIMATES WITH ACTUAL CONTRACTOR COSTS BETWEEN OCT. 1980 and OCT. 1982 *

($ in Thousands)

	ARMY	NAVY	AIR FORCE	DOD TOTAL
A. Original Cost Estimates				
1. Contractor Performance Costs	450,795	19,134	319, 909	789,838
B. Actual Payments				
1. Actual Contract Costs	505,463	21,862	351,265	878,590
C. Cost Overruns	54,668	2,728	31,265	88,752
D. % Cost Overrun	12%	16%	10%	11.4%

* Cost data from DOD study submitted in accordance with 1984 DOD Authorization Act (Public Law 98-94); 235 contracts awarded during period; does not include contracts in effect prior to this period.

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

ATTACHMENT 3

CONTRACTING OUT COST OVERRUNS

AGENCY	LOCATION	CONTRACTOR BID	ACTUAL PAYMENT	$ COST OVERRUN	% COST OVERRUN
Army	Warren, MI	$ 6.9M	$10.9M	$ 4.0M	57%
Army	Southeast Region (AL and GA)	$13.2M	$19.3M	$ 6.1M	46%
Army	Ft. Dix, NJ	$ 2.2M	$ 3.7M	$ 1.5M	68%
Army	St. Louis, MO	$ 6.7M	$ 8.7M	$ 2.0M	30%
Army	Sharpe Depot, CA	$ 4.2M	$ 7.0M	$ 2.8M	67%
Army	Tobyhanna Depot, PA	$ .8M	$ 1.2M	$ .4M	50%
Navy (Marines)	Beaufort, SC	$ .9M	$ 1.5M	$ .6M	67%
Air Force	Kelly AFB, TX	$ 2.1M	$ 4.1M	$ 2.0M	95%
Air Force	Warner-Robins, GA	$ 2.4M	$ 4.2M	$ 1.8M	75%
Air Force	Richards-Gebaur AFB, MO	$ 4.8M	$ 9.8M	$ 5.0M	104%
TOTALS		$44.2M	$70.4M	$26.2M	59%

Source - GAO Reports and Military Service Correspondence

MORALE ISSUES

Senator DECONCINI. Mr. Blaylock, thank you. You represent a tremendous, influential group of dedicated Americans.

How do you measure morale? Do you do surveys, or do you have open forums where your members are invited to come and just kind of have a bitching session, if you want to call it that? How do you measure that it is up or down or level?

Mr. BLAYLOCK. We do both, Mr. Chairman, and for the last 9 months I have been extensively—I say I, and other people out of the headquarters of our union—are traveling all over the country to military activities, to veterans' hospitals, social security offices, and so on, and I have been in the Federal Government now 34 years. I started working with the Air Force back in 1954, and I have never seen the morale any lower in the Federal work force than it is today.

Senator DECONCINI. This is the lowest you have seen it?

How long have you been actively testing it as part of your job?

Mr. BLAYLOCK. Oh, I got started as a shop steward 2 or 3 years after I went to work with the Government and then gradually worked up.

I have been president of this union 12 years. I was a vice president for about 4 years prior to that, covering the southeastern region.

Senator DECONCINI. And that is part of your duties, to seek out the reaction of your members around the country?

Mr. BLAYLOCK. I have been in touch with them constantly, Mr. Chairman, and I stay in touch with them.

Let me give you one example. I have asked people in VA and social security and in defense activities in the last 2 weeks one question I asked them when I get these groups together. In fact, I asked a group of civilians at the Personnel Development Center, Gunnar Air Force Base, I spoke on their training program. They had a bunch of labor relations officers, personnel officers I spoke to 2 weeks ago at Gunnar Air Force Base. And I was talking about the morale and what is happening to this career work force in Government, and I asked that group of about 60 or 70 managers. I said, How many of you people would recommend a Federal career to your children today?

Mr. Chairman, there was not a hand went up in that room.

Senator DECONCINI. Is that right?

Mr. BLAYLOCK. Now, these are your personnel officials.

I ask Federal workers all over this country that. None of them would recommend the Federal service as a career today.

Senator DECONCINI. Then why is there such a lineup for the jobs? There does not seem to be a shortage of people wanting to get them. Are we just getting a lower quality of people?

You know, when there are Federal jobs published in Arizona, boy, there is no shortage of people showing up for them.

Mr. BLAYLOCK. Mr. Chairman, I know you are not supposed to use this kind of language here on the record, but I'm going to tell you that's b------t. There is not—the private sector has got the same thing. I saw here recently, I think it was—I know it was, the telephone company, New York City, announced 200 jobs. They had 60,000 apply for them. People are hunting good jobs all over this country, Mr. Chairman. I do not care who has got them. And a lot of people have operated under the concept the Federal Government is a great place to work and they are a good employer and you have got a lot of security, but they do not work there long before they find out they are trailing their counterpart in the private sector, and they are getting dumped on every day.

Senator DECONCINI. So what you are saying is those that are signing up, or waiting to get a Federal job, do not know what is really there.

Mr. BLAYLOCK. That is right, and people every day are saying, if I had something better, I would go. This early out retirement, which we will be testifying on this afternoon, you know, the Senator Roth bill, I opposed that 2 years ago, and I think I was the only guy in town that did. Today everybody is going to be up here opposing that bill because you are going to lose 400,000 people. People say if I can get $20, I am getting out of this mess. I am tired of being dumped on.

Senator DECONCINI. Thank you.

Thank you, Mr. Blaylock. I appreciate your testimony.

Mr. BLAYLOCK. Thank you very much, Mr. Chairman.

AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS

STATEMENT OF DR. NORRIS J. KRONE, PUBLIC POLICY COMMITTEE, AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS

PROMOTION OF AEROSPACE SCIENCES

Senator DECONCINI. We will now hear from Dr. Norris Krone, American Institute of Aeronautics and Astronautics.

Dr. Krone, your full statement will be put in the record. If you would summarize it for us in 3 to 5 minutes, I would appreciate it because we are running out of time, I am sorry to say.

Dr. KRONE. Yes, sir; I will go as fast as I possibly can.

We appreciate the opportunity to give some of our views on the defense program for 1989.

AIAA, the American Institute of Aeronautics and Astronautics, is a scientific organization with more than 40,000 scientists, engineers, and students. The principal goal of the AIAA is to promote the aerospace sciences field.

In that regard, we are here to talk about the impact of technology programs on the national defense, as well as on the economy of the country. We believe the current equipment that we have in the Armed Forces are a direct result of the technology programs in the pre-1980 time period because of the lag, and when we say technology programs, we talk of those 6.1, 6.2, and 6.3 efforts, and they do include the committee demonstration efforts that bring us from the laboratory into the operational field.

Now, we believe that those programs are an investment in the future of the country, in not only the security of the country, but in terms of the economy itself. Those programs of the aerospace industry last year had a $15 billion trade surplus as opposed to the large deficit that the country enjoyed that we all know about. The aerospace industries employ more than 1.3 million people and have a net revenue of approximately $103 billion.

Our concern is that over the last 20 years or so the investment in those 6.1, 6.2, and 6.3 programs has decreased by approximately 40 percent. They represent now only 8.5 percent of the overall R&D program as opposed to 18 percent that they did 20 years ago. As a matter of fact, in 1965 they were 24 percent.

COMPETITION

Now, the second factor is relative to the competition. The Russians spend more than twice what we do on these technology programs, and they are graduating anywhere from two to three times as many scientists and engineers as we are. Also, the Europeans are forming consortiums, and these will, from an allied economic standpoint, bring about a decrease in our ability to compete on the foreign markets if we do not watch ourselves.

Now, I think in summary we can say that the aerospace industries and the current equipment that we have in both the military and in the civilian fields is a direct result of those past technology programs. The current budget calls for no increase for inflation, so we are recommending that approximately a 4.5-percent increase be made to the technology programs for 1989 just to offset inflation.

We think there is a similarity between a situation in a company that is operating in the red and has one of its divisions that is doing very well, it would be ill-advised to cut back on that one division and inhibit its ability to continue to produce dividends and produce profits in the future. In the same light, I think, the aerospace industry to this country is a very big plus and that the degradation or the deemphasis of the technology programs are detrimental to our future health in both defense as well as on the economic side.

If there are any questions, I would be happy to answer them.

[The statement follows:]

AMERICAN
INSTITUTE OF
AERONAUTICS AND
ASTRONAUTICS

PREPARED STATEMENT OF

Dr. Norris J. Krone
Public Policy Committee

Introduction

Mr. Chairman, on behalf of the the American Institute of Aeronautics & Astronautics (AIAA) I wish to thank you for allowing us to appear before you today to discuss our views on certain defense issues.

The AIAA is a non-profit technical professional society made up of 40,000 engineers, scientists and students in the aerospace field. Our constitutional mandate is to advance the arts, sciences and technology of aeronautics & astronautics and to promote the professionalism of our members. We have 54 technical committees which cover the various disciplines in our field. We also have a Public Policy Committee that interfaces with the government on issues of concern to our membership. For the purpose of creating our testimony, the Public Policy Committee established a Defense Subcommittee composed of members from our technical committees. Our testimony today will cover the Defense Science & Technology Program, particularly the Technology Base program and related activities.

Summary

Our testimony focuses on a central theme of national defense, one which started in the Second World War and has continued relatively unabated since then: the technological sophistication of our weaponry. The quality of our weaponry determines whether or not this nation has the military superiority it needs to overcome the numerical superiority of our adversaries.

Our rivals appreciate the benefits of technological sophistication and have been incorporating it increasingly into their defense hardware. There has been a significant funding decline in the DOD Technology Base in the last 20 years. We believe that a strong Tech Base is vital to our future military capability and that funding must be increased to maintain our present lead over our potential adversaries. We recommend a minimum increase of 4.5% to $ 3.45 billion to account for inflation. We recommend real growth of 3% a year hereafter until the Tech Base approaches the mid-sixties level as a percent of RDT&E.

We also believe that funding stability, streamlined contracting, improved management of budget cuts, and the health of Independent Research & Development bear heavily on the strength of the Technology Base.

The Importance of Technology

Technology gives you leverage. We all know the impact that the V-1 and V-2, the jet engine, radar, and the atomic bomb had upon WW II. Later came the transistor, the ICBM, the Sputnik, the nuclear submarine, the laser, and more recently reactive armor, depleted uranium armor,superconductivity, and parallel computer processing.

Today, we are introducing increasingly sophisticated technology into our weapons. Marvels such as the Global Positioning System will give the common footsoldier unprecedented levels of accuracy in positioning through portable manpacks. That same soldier and his counterparts in tanks carry more computing power with them than this nation used to send men to the moon almost twenty years ago.

The Soviet Union has clearly come to appreciate the need to incorporate more advanced technology into its systems. U.S. allies such as Japan have also seen this and have become more competitive in many key areas of technology where ten years ago we were unequalled. The consequence is that our technological lead is threatened.

This lead is crucial, because the United States is already far behind the Soviet Union in the quantity of deployed weapons. We are counting on a strategy of superior weaponry to overcome their quantitative lead. That strategy of superior technology to counter superior numbers requires long-term investment in basic resarch and exploratory development today to preserve our lead in the future. Past under-investment has led to the erosion of that lead.

In 1986 it was estimated by defense sources that the Soviet Union was spending about twice as much as the U.S. on military Research and Development, or about 20% of their total military budget. We spend about 13%. We have not seen comparable estimates for Soviet Tech Base spending but believe it is proportionately larger.

The magnitude of the Soviet effort may be gauged by the numbers of engineers and scientists employed in research and development; over 900,000 to our 650,000 in 1986. Total employment of scientists and engineers was 1.6 million to our 1 million. We were even in 1975. It has been estimated that 60% of Soviet technical manpower is devoted to military activities to about 30% of ours.

The gap between us is also growing, as the Soviet Union is graduating new engineers and scientists at a rate 2 to 3 times ours. They also graduate about 3 times the number of PhD engineers and scientists that we do. Because of differences between our systems in reporting data and definitions, these numbers are not indisputable, but the magnitude of the differences conveys the message: we are in trouble, and it's going to get worse.

It is clear that our rivals and allies understand the importance of technology to their economy and defense. They have extensive outlays for basic and applied research. They also lay out programs and complete them aggressively. When the high-temperature superconducting phenomenon was discovered, this nation established a leisurely ten-year plan to exploit superconductivity for our own benefit. The Japanese established a three-year plan and have moved ahead smartly in order to exploit that technology in the world market before we can.

Our concern is that instead of simple economic competition, the very essence of our national security may be eroding. The problem with the Tech Base is how this nation's defense posture will stand in ten to twenty years--the time it will take to bring to fruition and incorporate today's potentially revolutionary technologies. It is these technologies that will be essential for ensuring and maintaining our technolgicial superiority.

This situation has evolved gradually--perhaps so gradually that its seriousness has not been appreciated.

History of Technology Base Funding

In the last 20 years the Technology Base, defined as basic research and exploratory development, categories 6.1 and 6.2 in Defense Department parlance, declined about 40% in constant dollars. When viewed as a percentage of total R&D, it declined in the same period from 18% to 8.5% today, having been as high as 24% in 1965. See figure 1. The current request is about 4.5% below the FY 88 level in constant dollars. Since technology developed in the Tech Base is fundamental to development programs for new weaponry, we are mortgaging our future to present lack of foresight.

The Economic Importance of Technology

There is a substantial literature describing the strong benefits of technology to the economy. Landmark studies by economists Kendrick , Dennison & Solow indicate that advances in technology and knowledge are the largest factors contributing to industrial growth and productivity. Robert Solow won a Nobel prize for his work in this field in 1987.

The balance of trade, a major area of economic concern, is greatly impacted by high-technology products. Many of the sectors where the U.S. has traditionally had a favorable balance of trade are those which receive federal support for mission-oriented R&D. For example, 25% of federal R & D funds are spent in the electronics sector and 51% in the aerospace sector. Aerospace exports exceeded imports by $ 11.7 billion in 1986 and by $15 billion in 1987. About 75% of aerospace industry R & D is funded by the government.

Beginning in 1980, however, the balance of trade in high-technology products began to erode from a surplus of $ 27 billion to a $2 billion trade deficit in 1986. Many factors doubtless contributed to such a deficit, but it is a fact that the DOD Tech Base funding experienced a 40% decline in the late 60s and early 70s and has never returned to those historic levels. Given the 10- to 20- year lead times for Tech Base discoveries to enter the market-place, the coincidence begins to suggest causality.

While defense products are clearly not designed for civil use, major spinoffs from military research to the civil sector have occurred. Examples abound in such fields as aeronautics and space, atomic energy, electronics, medicine & psychology. Only last month the Sandia weapons laboratory made a great advance in parallel computer processing, a breakthrough that promises a continued U.S. lead in supercomputing.

Critics make the point that investment in defense research is not as productive to the economy as is a similar investment in the civil sector. The main point often overlooked is that successful defense research allows the nation to avoid war or, if necessary, to prevail in a war or achieve other foreign policy objectives. Foregoing these benefits could bring incalculable economic and social losses to the nation. It must be remembered that civil spinoffs from defense research are an additional dividend.

Guidelines for Investment in the Tech Base

The foregoing arguments suggest that funding for the Tech Base should not only be maintained but increased; but to what level?

There is no objective quantitative measure for the level of Tech Base funding needed to produce U.S. leadership. Judgments must be made based upon guidelines from experience. We submit the following guidelines for your consideration:

The Tech Base budget should at least grow to account for inflation. The inflation rate for research and development, however, is higher than the rate measured by the consumer price index, because the costs of its specialized goods and services are rising faster. For example, the superconducting supercollider (SSC) particle accelerator in the FY 89 DOE budget is estimated to cost $5.3 billion, as compared to $1 billion (in constant dollars) for its predecessor, the Tevatron, at the Fermi National Laboratories. This points out a trend sometimes called the sophistication factor, which holds that it is getting harder and consequently more expensive to make each new scientific and technical advance. Assuming an R&D inflation rate of 4.5% for FY-89, the same as FY 88, the Tech Base budget should be increased to $ 3.45 billion.

As noted earlier, the Tech Base was once as high as 24% of the RDT&E budget and now is 8.5%. We submit that in view of the accelerating importance of technology to the national defense, the magnitude of the Soviet investment, and the sophistication factor, the Tech Base should be allowed to grow in real terms by 3% a year until it approaches those former levels.

Where Should We Invest in The Tech Base

It is a hard call to decide how to divide additional investment in the Tech Base. The opportunities are so much greater than the available resources.

Basic research (6.1) holds the promise of making revolutionary advances to new technologies that have great military leverage. Such advances have also been described as technology push versus requirements pull. If Albert Einstein had not written to President Roosevelt that fateful day in 1939 to tell him about the potential of atomic energy, who knows how long the war would have been prolonged and how many lives lost. That is a prime example of technology push. Requirements pull is your everyday need to go a little farther and faster. The National Aerospace Plane Program (NASP) concept extends both to a revolutionary degree.

A recent report of the Defense Science Board (DSB) states that 6.1 has been neglected and has not kept pace with scientific opportunities and defense needs. We believe that an increased portion of Tech Base funding should be placed into the category 6.1. This is a small program, and if a significant portion of this increase were spent in the universities, it would bring a very large return.

Exploratory development or applied research (6.2) investigates the practical uses of basic research for military purposes. In 1985 Air Force project Forecast II identified 39 technological opportunities and 31 advanced systems concepts which promised revolutionary advances that could "guarantee" technological supremacy over our adversaries into the 21st century. 13 of these areas in the 6.2 and 6.3 categories are now funded in Air Force science and technology programs. The NASP program is the most prominent example of such technologies.

Going beyond the Tech Base area for a moment, there are compelling reasons to put additional funding into the 6.3a category for the construction of Advanced Technical Transition Demonstrations (ATTD), or prototypes. Support for this area was strongly endorsed by the DSB in order to move the most advanced technology into the field. The U.S. has been "seriously deficient" both commercially and militarily in getting advanced technology into our products. In a paper on Aeronautical Policy released in December of 1987 the AIAA called again for the increased use of prototypes to advance military aircraft technology.

Other Concerns

Funding Stability

Research and advanced development require a long-term application of manpower to the problems investigated. In order to keep that manpower applied to the task, funding must be predictable and continuous. If it is not, projects will be started and stopped, and morale will suffer. Little will be accomplished under such conditions, and our most valuable asset--people--will become discouraged and leave for other employment. In addition, raiding the Tech Base for funds to support other programs should be stopped by both Congress and the DOD.

Management of Tech Base Cuts

There are about 160 Tech Base programs and thousands of projects within the programs; many are closely related. Changing one project is like pulling a thread in a web--the whole system is affected. We believe that in mandating a funding reduction, it would be prudent for Congress to remember the web effect. Instead of specifying where detailed cuts are to be made, the Congress should leave it to the responsible officials who know how programs and projects are inter-related. They can always report back to the Congress what actions they have taken and, if necessary, the implications of an action the Congress wishes to take.

Technology Base Contracting

The Defense Science Board study also addressed the problems caused by the application of the Competition in Contracting Act (1985) to Technology Base activities. This Act originally was intended to improve the efficiency and competition in DOD's large hardware procurement programs, but it has also been applied to small Tech Base contracting. It has turned out to be a very inefficient way to procure research level services.

Dr. Robert Cooper, former DARPA director, has stated that these regulations applied at the Tech Base level have made the process a "nightmare." Lead-times for contracts from identification of need have been increased from three months to nine months, and procuring authorities have been unable to obtain services when they are needed because of the requirement for competitive bidding and associated difficulties.

The Tech Base projects are unique among defense investments in that new or innovative ideas and technologies may exist in the mind of a single expert in a given field. Procurement regulations must recognize this unique feature and accommodate the ability to fund the work of these talented individuals. Such individuals are far less likely to come forward with the revolutionary ideas so necessary to a technologically superior defense if their discoveries are to be exposed through a competitive bidding process. Giving a sole-source contract to these talented engineers and scientists, whose unique ideas are so vital, will considerably shorten lead-times and possibly ensure that these ideas will not be lost to our nation's defense.

Independent Research and Development (IR&D)

IR&D is work carried out by industry that is not funded under a government contract. Nevertheless, since it contributes to a company's competence, it has always been recognized as a legitimate overhead cost chargeable in part to government contracts.

Numerous studies have been made on the subject, and most seem to agree that IR&D is a valuable source of independent ideas and contributes to the transfer of innovative technology into deployed defense systems. A specific example in our field was cited in recent testimony before the Senate Armed Services Committee. While the DOD was funding the development of composite jet engine turbine blades, General Electric and Pratt & Whitney developed on their own the superior single crystal turbine blade that is now used in the most advanced jet engines.

The issue has always been how much of a company's own directed R & D can be charged to government contracts as an overhead cost. We are not prepared to leap into this thicket with an answer, but we wish to draw your attention to the Defense Science Board's Summer Study, which declares that the problems in IR&D "are reaching crisis proportions" as a result of recent changes in the Defense acquisition system. A Senate Armed Services Committee study indicates that IR&D expenditures are declining. We believe that IR&D is a very valuable complement to the Defense technology base and that positive action must be taken now to stop the erosion of this resource.

CONCLUSION

In conclusion, Mr. Chairman, the Defense Technology Base is a vital part of our defense strategy, providing us with the qualitative lead in weapons necessary to offset the numerical advantage of our adversaries. Funding for the Tech Base has declined by 40% in the last 20 years and by two thirds as a percentage of the RDT&E budget. Our technological lead is being eroded while the Soviet Union is engaging in a much greater effort to build up their technical capabilities. Unless we reverse this trend, our national defense will be in increasing jeopardy. We therefore recommend a minimum increase of 4.5% in funding for the Tech Base in the FY-89 budget to account for inflation and a 3% annual real increase thereafter until funding approaches former levels as a percent of RDT&E.

We also recommend that an increased proportion of Tech Base funding go into basic research; other factors such as stability of funding, management of Tech Base cuts, sole source contracting for research, and enhanced IR&D are very important to maintaining a healthy technology base at a reasonable cost and deserve your close attention.

Thank you for the opportunity to appear before this committee. We are ready to respond to any questions you may have.

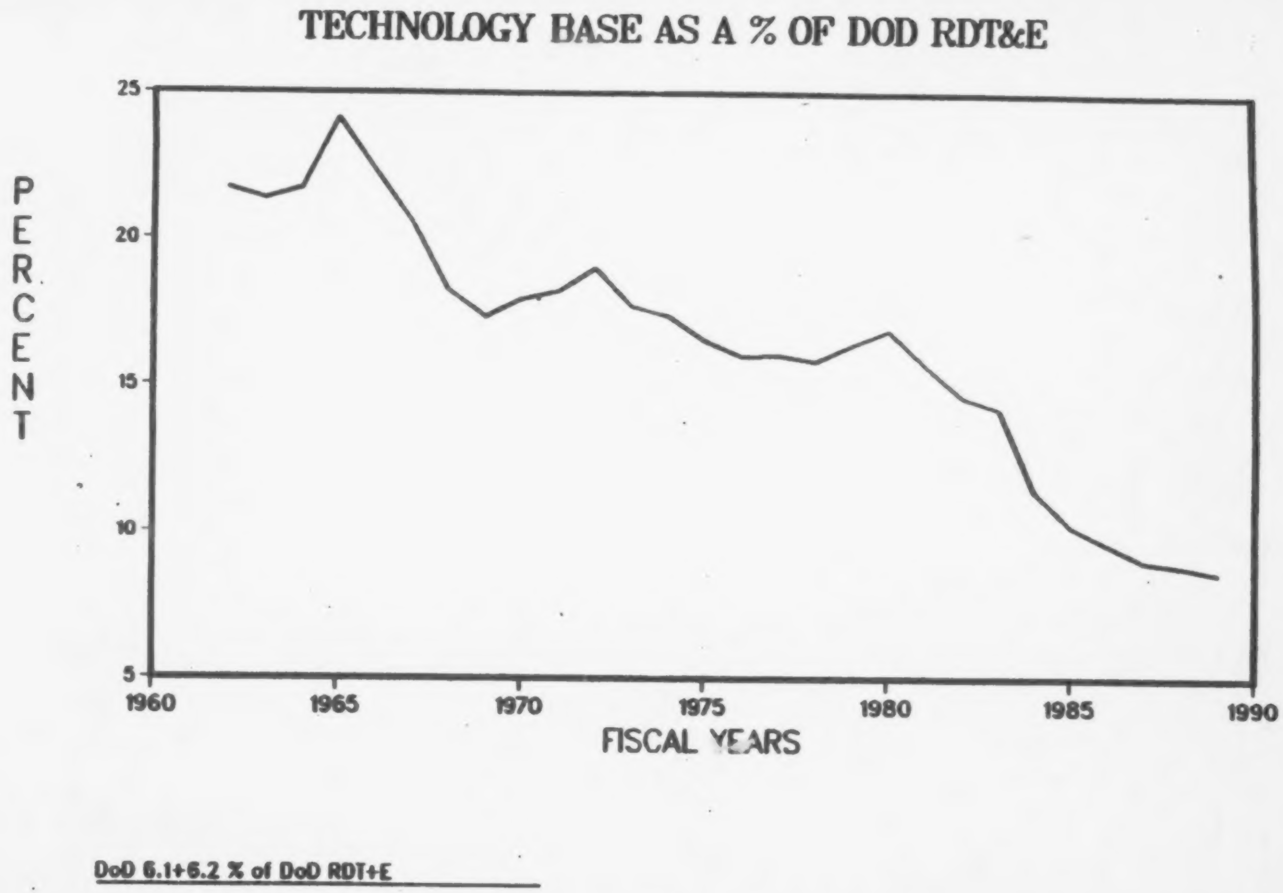

FIGURE 1

(Source: Dept. of Defense)

SOURCES OF FUNDING FOR 4.5

Senator DECONCINI. Do you have any suggestions of where we get the money to do the 4.5-percent increase?

Dr. KRONE. I am sorry, I do not have any suggestions as to where to get the money. We recognize fully that the country faces a serious deficit.

Senator DECONCINI. I think you make a very good argument that we can get so much out of this type of technical and advanced research outside even the military, we get a great deal out of it.

The problem this Senator faces is where do we find that money, and I have not decided where you find it. I think you are right, we do not know where to take it from. That is the trouble.

Dr. KRONE. Yes, sir.

Senator DECONCINI. Thank you. Thank you very much.

NATIONAL FEDERATION OF FEDERAL EMPLOYEES

STATEMENT OF STEVEN KREISBERG, DIRECTOR, FIELD OPERATIONS, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

CONTRACTING OUT OF FEDERAL FUNCTIONS

Senator DECONCINI. We will now hear from Mr. James Pierce, National Federation of Federal Employees.

Mr. KREISBERG. Good afternoon. Regrettably, President Pierce cannot be with us this afternoon; he had to travel on a conference.

My name is Steve Kreisberg; I am director of NFFE's field department.

Senator DECONCINI. What is your last name, Steve?

Mr. KREISBERG. Kreisberg. I understand you have a lot of pressing business. In the interest of being concise, I will address just two issues in my verbal testimony today, contracting out of Federal functions and the education requirements of civilian technicians.

As you know, contracting out of Federal functions is governed by OMB's Circula A–76 which establishes guidelines for contracting out of industrial activities in the Federal sector.

COST COMPARISON STUDIES

The policy spelled out in A–76 mandates certain cost comparison studies, but in 1983 the administration changed the cutoff point below which cost comparison studies are not required. The revised circular states that Federal activities with 10 or fewer full-time equivalents may be contracted out without a cost comparison study. These activities can be and have been contracted out by agency heads without having to determine whether the work could be performed more effectively by Government personnel.

The 1986 DOD Authorization Act raised the cutoff point for agencies again, this time from 10 employees to 40. This affected just DOD agencies. A year later, the 1987 DOD Authorization Act raised the threshold to 45. Under the act, DOD activities employing 45 or fewer civilians are not required to perform a full A–76 review.

Without a cost comparison analysis, the American taxpayer can never be certain whether a private contractor's performance of commercial activity is less expensive.

In response to the authorizing committee's actions, the Defense Appropriations Committees modified the cutoff point change in fiscal year 1987 and 1988 Defense appropriations bills by requiring agencies to complete a most efficient cost effective organization analysis and certification before a DOD activity employing more than 10 civilian employees could be contracted out.

NFFE urges the subcommittee to retain this restriction and include the requirement again in this year's appropriations bill.

COST OVERRUNS

Even when cost comparison studies are used, the agency is not protected from cost overruns. For example, the grounds maintenance function at Chanute Air Force Base in Illinois was contracted out in late February 1986. The winning contractor's bid was just $46,950 less expensive than the in-house cost. However, since the contractor has taken over the performance of the grounds maintenance activity, a total of 19 separate amendments have been added to the contract and have been approved. A close examination of these amendments indicated that the work was added to the contract which should have been included in the initial performance work standard.

The amount and total cost of these amendments is $221,000. This represents $173,930 more than the Government would have paid to maintain the function in house.

Unfortunately, it is difficult to predict cost overruns of this type. Because the appeals process for A–76 is so narrow in scope, losing in-house bidders rarely can prove that no responsible contractor can perform the functions for such a low estimate. Instead, American taxpayers are forced to suffer through the poor performance and cost overruns for the entire contract period. NFFE is currently working to broaden the appeals process for in-house operations so that there will be no recurrence of such horror stories.

Moreover, NFFE is supporting S. 909, Senator Harry Reid's bill, which would require the Government to return any savings achieved from contracting out to the U.S. Treasury. If DOD is convinced that contracting out Government services is such a taxpayers dream, let's use the savings to cut the deficit.

Alternatively, if no savings is identified and the contracting out is actually shown to increase the Government spending, as we contend, perhaps a serious reevaluation of the program will be conducted.

We urge the Appropriations Committee to adopt a similar provision in this year's Defense appropriations bill.

Congress must take steps to protect tax dollars and ensure that civilian jobs are not lost merely to satisfy the administration's desire to give private industry a larger slice of the budget. At the very least, Congress should require equitable cost comparisons to determine the most efficient and least expensive manner to perform all commercial functions, replacing the 1983 threshold of 10 FTE's. Normally, Federal workers should operate an activity at a much lower cost. We are confident that an accurate cost comparative process——

Senator DECONCINI. Mr. Kreisberg, I am going to have to ask you to finish up.

MILITARY EDUCATION FOR CIVILIAN TECHNICIANS

Mr. KREISBERG. OK. I would like to turn your attention to the military education program for civilian technicians. This is a program which we believe is wasteful, inefficient, and is just not serving its purpose. Certain restrictions were adopted last year. We urge that those restrictions be continued.

The MEP requirements affect only the Army National Guard, and they were intended to require that technicians possess military skills and educational backgrounds comparable to their Active Army counterparts. However, the operation of the program has resulted in people who actually give training on the State level being required to go out of State for training in the very courses which they are trainers. You can see the self-defeating nature of that and the deleterious effect on morale, as well as the wasteful spending that it incurs.

That concludes my statement.

[The statement follows:]

NFFE

STATEMENT BY

THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. Chairman and Subcommittee Members:

The National Federation of Federal Employees appreciates the opportunity to present our views on Fiscal Year 1989 appropriations for the Department of Defense (DOD). Since approximately half of our membership is employed by DOD, we are especially interested in the subject of today's hearing. Of special concern to us are two issues, the contracting out of Federal functions, and education requirements of the civilian technician program.

Contracting Out

NFFE has long been concerned about the serious problems with the management and control of contracting procedures along with the repercussion of such problems on the Federal workforce. During the last seven years, the Administration has been quite open about giving private industry a large slice of the Federal budget. While the exact cost of service-oriented contracts is not known, we estimate that at least $60 billion in Federal funds finds its way to private contractors each year. Yet, instead of tightening the oversight and control of such a large proportion of the Federal budget, the Administration has encouraged more contracting out.

Despite the existence of the Office of Management and Budget Circular A-76, which establishes guidelines for contracting out commercial and industrial activities, the procedures involved in converting these functions to the private sector are constantly abused and ignored. The results are cost overruns, shoddy workmanship, sole source contracts, and a waste of taxpayer dollars.

Already, previous revisions applied to the Circular have virtually destroyed cost efficiency, the primary concern of the American taxpayer. Until 1983, government policy stipulated that contracts should be awarded only when cost studies demonstrated it would be less expensive to perform the work under contract than in-house. The policy, which applied to Federal activities worth more than $100,000, protected the Government and the American taxpayer from paying unnecessarily high prices for essential goods and services.

The policy was spelled out in the Circular A-76, but in 1983 the Administration changed the cutoff point below which cost comparison studies are not required. The revised Circular states that Federal activities with 10 or fewer Full-Time Equivalents may be contracted out without a cost comparison study. These activities can be, and have been contracted out by agency heads without having to determine whether the work can be performed more efficiently by Government personnel.

The FY 1986 DOD Authorization Act (P.L. 99-145) raised the cutoff point for its agencies again, this time from 10 employees to 40. A year later, the FY 1987 DOD Authorization Act (P.L. 99-661) raised the threshold to 45. Under the Act, DOD activities employing 45 or fewer civilians are not required to perform a full A-76 review. Without a cost comparison analysis, the American taxpayer can never be certain whether a private contractor's performance of a commercial activity is less expensive.

In response to the authorizing committees' action, the Defense Appropriations Committees modified the cutoff point change in the FY 1987 and FY 1988 Defense Appropriations bills by requiring agencies to complete a most efficient and cost-effective organization analysis and certification before a DOD activity employing more than 10 civilians could be contracted. (Under this modified MEO and cost comparison, no conversion costs would be included, nor would there be any appeal rights. It is simply a provision to ensure that the Government is performing a function in the most efficient and cost effective manner before its costs are compared with those of a contractor.) NFFE urges the subcommittee to include the requirement again in this year's appropriations bill.

Even when cost comparison studies are used, the agency is not protected from cost overruns. For example, the Grounds Maintenance function at Chanute Air Force Base in Rantoul, Illinois, was contracted out in late February 1986. The original bid by the in-house function was $2,143,222. The winning contractor's bid was $47,950 less expensive, and came to a total of $2,095,272. However, since the contractor has taken over performance of the Grounds Maintenance activity, a total of nineteen amendments to the contract have been approved.

A close examination of these amendments shows that work was added to the contract which should have been included in the original Performance Work Statement. The total cost increases of these amendments (which do not include any wage increases required by the Fair Labor Standards Act and the Service Contract Act) is $221,880. This amount is $173,930 more than the government would have paid to maintain the function in-house.

Further investigation revealed that a gross underestimate of the workload by the management study team resulted in the decision to perform the function by contractor, and paved the way for additional costly contract modifications. Another contract at Chanute, in the Furnishings Management function, also contained errors in workload estimation leading to a cost increase of approximately $150,000.

Ironically, once a function is contracted out, it is virtually impossible to return it to in-house performance, even when cost overruns are as outrageous as those in the Grounds Maintenance function at Chanute. Officials at Chanute informed us that they will not revisit a contract for cost overruns unless directed to do so by Air Training Command (ATC). Since it is not in the activity's best interest to acknowledge to the command that contracting mistakes have been made costing thousands of dollars, ATC rarely requests re-evaluation, despite the fact that the cost increases are compounded over the life of the contract.

Unfortunately, it is also difficult to predict such cost overruns before the function is contracted out. Because the appeals process for A-76 reviews is extremely narrow in scope, losing in-house bidders rarely can prove that no responsible contractor could perform the function for such a low estimate. Instead, American taxpayers are forced to suffer through the poor performance and cost overruns for the entire contract period. NFFE is currently working to broaden the appeals process for in-house operations, so that there will be no recurrence of such horror stories.

Moreover, NFFE is supporting S. 909, Senator Harry Reid's bill to require the government to return any savings achieved from contracting out to the U.S. Treasury. If the Department of Defense is so convinced that contracting out government services is a taxpayer's dream, then they should be willing to use the savings to reduce the nation's deficit. Alternatively, if no savings is accumulated or if contracting out is actually shown to cost more money than the government had been spending, perhaps a serious re-evaluation of the program will be conducted. NFFE urges the Appropriations Committee to adopt a similar provision in this year's Defense Appropriations bill.

Congress must take steps to protect tax dollars and ensure that civilian jobs are not lost merely to satisfy the Administration's desire to give private industry a larger slice of the Federal budget. At the very least, Congress should require equitable cost comparisons to determine the most efficient and least expensive manner to perform all commercial functions, replacing the 1983 threshold of ten FTEs. Normally, Federal workers should operate an activity at a much lower cost, and we are confident that an accurate cost comparison process will bear this out. However, in those cases where it can be truly shown that contractors can do a better job for less money, then they should be given that opportunity.

In summary, the Department of Defense, as well as other departments, should be required to convert civilian jobs to the private sector only for the right reasons: cost efficiency and quality performance. Thousands of Federal activities and billions of tax dollars are now wide open to potential abuse, especially within DOD. NFFE strongly urges the subcommittee to prevent this by including legislative restrictions on contracting out in this year's DOD Appropriations bill.

The Civilian Technician Program

During the past several years, NFFE has appeared before the subcommittee many times to discuss the civilian technician program. Civilian technicians have helped maintain the National Guard and the Reserves as an effective fighting force for many years. These technicians are called upon to provide full time administration, supply, training and maintenance support that has enabled each Reserve component to become a key link in our national defense structure. The Defense Department has recognized that civilian technicians are the group best able to accomplish the task of performing this critical mission. Today, technicians are stationed in every state and territory and at thousands of bases and armories, constantly ensuring that our forces are ready to meet any crisis.

Today I would like to focus on only one issue concerning civilian technicians: the Military Education Program (MEP). NFFE members have recently experienced serious problems with new training requirements for civilian technicians in the Army National Guard. The MEP requirements are intended to require that technicians possess military skills and educational backgrounds comparable to their active Army counterparts. However, the Army National Guard has refused to grant credit to technicians for skills developed in other training programs, thus requiring technicians to retake many courses which they have successfully completed. In some cases, technicians are even being required to take courses which they are teaching at the state level. This is not just tedious for the civilian technicians affected by such requirements, it is extremely wasteful spending.

Because of Congress' concern about wasteful spending, the DOD Authorization Act for FY 1988 (Public Law 100-180) required a report by the General Accounting Office on the cost effectiveness of the program, and the program's effect on readiness and employee morale. While it is our understanding that the report has been made available to the Armed Services Committees, it has not been made public. We urge the subcommittee to review the report, and to eliminate funding for the Military Education Program. NFFE firmly believes that the state-run schools will continue to provide excellent training for civilian technicians, without the hardships imposed by the MEP.

That concludes my statement. I will be happy to answer any questions.

EMPLOYEE MORALE

Senator DeConcini. Thank you very much, Mr. Kreisberg. I would only ask you the same question I asked Mr. Blaylock. Do you have a formula for testing morale of your employees?

Mr. Kreisberg. Well it is not necessarily a formula. One of the things that our national president is doing right now——

Senator DeConcini. A procedure.

Mr. Kreisberg. Yes; he is out there and he has conferences with our local leadership.

Senator DeConcini. Is that what you do, is you meet with your leadership, and your leadership——

Mr. Kreisberg. Right down to the shop stewards.

Senator DeConcini. And they convey whatever it is, good or bad?

Mr. Kreisberg. Right, and what we are hearing——

Senator DeConcini. And what do you hear?

Mr. Kreisberg. We are hearing the same thing that Mr. Blaylock has indicated to you, which is the fact that people are not staying in the Federal jobs.

For instance, our local leadership at Camp Pendleton, CA, was telling us that sure, people are lining up for these new jobs, but they are staying 2 years or less. The data they gave us indicated a 50-percent turnover rate of new employees.

Senator DeConcini. As soon as they can find something better, they move on.

Mr. Kreisberg. Right; they are getting in, they thought they were serving their country and they find out that they are being dumped upon by the administration, and to some extent by Congress, and certainly to a large extent by their own managers.

Senator DeConcini. Thank you.

Thank you very much.

Association of Civilian Technicians

STATEMENT OF JOHN T. HUNTER, PRESIDENT, ASSOCIATION OF CIVILIAN TECHNICIANS

ACCOMPANIED BY JOHN CHAPMAN, EXECUTIVE ASSISTANT, ASSOCIATION OF CIVILIAN TECHNICIANS

MORALE IN TECHNICAL PROGRAM

Senator DeConcini. Our last witness will be Mr. John Hunter, Association of Civilian Technicians.

Mr. Hunter. Thank you, Mr. Chairman. I guess we are taking up the rear today.

Senator DeConcini. Yes; I am sorry to rush you. I have an Ambassador sitting in my office waiting for me.

Mr. Hunter. It is quite all right.

Senator DeConcini. I hope he is patient.

Mr. HUNTER. I had a prepared statement.

Senator DECONCINI. We will put that in the record.

Mr. HUNTER. I had a synopsis; we will forget that. I will try and wing it if I can.

Senator DECONCINI. Would you like to introduce your colleague?

Mr. HUNTER. I have with me Mr. John Chapman, an executive assistant of ACT.

Senator DECONCINI. Very pleased to have you, Mr. Chapman.

Mr. HUNTER. No. 1, I am the president of ACT and have been since 1982. My career spans solely with the National Guard. I came in to the National Guard technician program in 1954. I came into the New York Air National Guard in 1953, and am still a member of the New York Air National Guard.

Morale is terrible. That is a correct statement, and I will expound on that later.

Senator DECONCINI. You are talking about in New York?

Mr. HUNTER. The technician program, all over the country.

Senator DECONCINI. In Arizona is it terrible?

Mr. HUNTER. Sir, we represent the Army National Guard statewide in the State of Arizona, and we just picked up a bargaining unit at the Phoenix air unit there, a tanker outfit.

Senator DECONCINI. And is it terrible in Arizona?

Mr. HUNTER. It is the National Guard leadership, I would have to say, sir. It has nothing to do with any one particular unit. Technicians have done an outstanding job.

Senator DECONCINI. I think so, too.

Mr. HUNTER. The best ever to come down the pike; they are being infiltrated with an AGR program that is a sham, complete sham. It is a waste of the taxpayers' money.

Every test, every investigation, every survey that has been taken shows that the AGR program is not a cost-effective program. We continue to hear the Guard people leadership come in and say we need additional AGR's, we need additional technicians.

I cannot understand for the life of me why any additional growth would be given into the AGR program for the simple reason it is not cost effective. What I think makes the program even worse is the fact that the design of the program was to enhance the National Guard Army deployability and mobility. The majority of the Army Guard AGR's, or at least 30 to 40 percent of them, are in nondeployable units, STARK headquarters. These people will not deploy when the balloon goes up.

AGR RECRUITING

There is also a great deal of AGR's that are solely recruiting. These are jobs technicians performed on the side. I have a gentleman sitting next to me that spent his career in the Army National Guard as a warrant officer; he did recruiting along with his supply functions.

So what we have is a redundance of duties. I think the Guard has stated many, many times that the AGR's will perform other duties other than what the technicians have been performing. This is not true. In the Air Guard the positions flip-flop back and forth. In the Army Guard they had one administrative supply technician in an armory who performed the job of administration, supply, et cetera. Now they have three additional AGR's in that same armory, redundant work.

It is not working. The jobs are getting done faster, yes, because of the manpower, not so much because of the AGR.

RETIREMENT PROGRAM

We have a 20-year retirement system that is afforded to an AGR, not a cost-effective program. Technicians are Federal civil servants working under the rules and regulations of the Guard Bureau or the OPM themselves. One of my recommendations today, sir, would be that through attrition, the AGR program should be phased out. No AGR's should lose their jobs. That is not what I am saying.

When their enlistment runs out, they should be offered the job, if he is an E–7 training NCO, he should be offered the same job as a training technicians GS–7. And that would save at least $500 million to $700 million a year when you converted all these jobs back into the technician work force. You would still have deployable assets, the units would not be affected at all, not whatsoever.

We have heard the MEP issue touched on today, Military Education Program. There is a GAO study that has been performed. The study has been turned over to the Armed Services subcommittees. From what I understand, the report shows MEP is not cost effective; it has impaired morale for the technician work force, and it is not increasing the unit readiness. In many cases, when the technicians do go out to attend MEP courses in other States, Active component courses, they have to backfill his position with a temporary employee, another waste of the taxpayers dollars.

We heard discussed the uniform issue. Years ago when I came in the program this was a nonissue. Nobody cared what the person wore. You got the job done. Mr. Chapman worked in the State of New York Army National Guard in his whole career, up until 1972, he never wore a military uniform, and the job got done.

Mr. CHAPMAN. While on civilian status.

Mr. HUNTER. Yes; in civilian status.

[The statement follows:]

ASSOCIATION OF CIVILIAN TECHNICIANS

STATEMENT BY
JOHN T. HUNTER
PRESIDENT OF THE
ASSOCIATION OF CIVILIAN TECHNICIANS
BEFORE THE

Mr. Chairman and members of the committee, I appreciate the opportunity to once again appear before this committee and present our organizations views on the full-time support program within the National Guard. I would also like to take this opportunity to express our sincere thanks for your continued support.

In this time of profound economic distress, when so much attention will and must be paid to government spending, the AGR program must be examined more carefully than ever before. However, we do not use the word "value" to mean just the financial cost of the program, but whether or not it has enough intrinsic value to justify its existence.

It is, and has always been, our contention that it is of little value, extremely wasteful, and has failed to live up to its promise. Its minimal value can be traced to the very concept of what the program was supposed to achieve and the way it has been managed. For reasons, which we will make clear, it could not live up to its highly vaunted forecasts. Its failure to live up to the inflated statements uttered by its creators will be easily understood when you hear how AGR's are trained, what it is AGR's do, and how they have been assigned. Truly, it can be said that the AGR program was doomed from the start. Its waste is readily apparent to anyone who examines the high pay and benefits given to AGR's, which at the same time are denied to civilian technicians who do exactly the same work.

When the AGR program was first proposed, its supposed benefits were announced with high-flown statements that now only bring a cynical smile to the face of anyone who has studied it. The same is true of all the praise that has been heaped on it since its inception. For example, AGR's were going to be assigned to deployable units. They would then be able to improve the training level of the units and enhance their mobilization readiness. Also, the AGR program was going to provide the Reserve Components with a broad breadth of experienced personnel. They would perform duties which were a departure from the traditional administrative support role performed by civilian technicians and provide units with personnel who had a broad range of military skills. Not only has the AGR program failed to live up to these glowing standards. The Civilian Technician program has managed to consistently prove its superior value. Whatever modest benefits the AGR program has provided, it is in a large part due to the constant help and sustenance provided by technicians. Meanwhile, these modest benefits have been purchased at a very high cost.

It would not be possible for the AGR program to achieve its goal unless its personnel are properly utilized. When we examine the program, we find that one-third of its personnel are not even in deployable units. In some individual states, the percentage is as high as 48%! It also means that most of these AGR's are not mobilizaton assets. The managers of the AGR program have assigned many thousands of AGR's in a manner that can only be characterized as a conspicuous disregard for one of the basic reasons for its creation. The AGR's we are talking about are those which have been assigned to the State Area commands (STARC). These personnel have no specific commitment to report to a mobilization station. Many of them never will, for their mobilization assignment is to stay behind, within the boundaries of their home states, and perform administrative, security, and housekeeping duties. More than that, some of those STARC personnel have duties that require no combat training, nor are they issued any combat equipment, nor are they assigned to any combat unit.

How far all of this is from the original reasons for the AGR program! How far from the supposedly urgent and necessary fact that AGR's would be placed in combat units, be deployable assests, and get their parent units ready for mobilization and raise their level of training. How far all of this is from the need for AGR's to be at the cutting edge when their units would deploy to their mobilization stations. This serious variation from the initial standards for the AGR program was not sanctioned by the Congress.It was done by the managers of the program and amounted to a self-inflicted wound. It succeded in bringing the program into greater disrepute than it already had and further weakened any slight arguments in its favor.

But, there are more serious and far-reaching faults with the AGR program, that discredit it completely. AGR's only do work that can, is, or was done by technicians. This is a bed-rock, categorical statement. In most cases, both groups do the same work. Where there is a difference, it is only because the managers of the AGR program will not permit technicians to do them. Most interestingly, those tasks used to be done by technicians. Therefore, we have an act of deception, when friends of the AGR program try to prove its necessity. For years they have tried to demonstrate that AGR's are a special group of employees, separate and apart from technicians. But, no amount of deceptive arguments can alter the truth. It is not true.

We are sure that you can see why it is so important for them to try and maintain the falsehood. How can the AGR program be justified, if AGR's only do work that was always done by technicians, or can be done by technicians? Under those circumstances, what driving, rational reasons can be advanced for the program? How could the friends of the program satisfactorily explain what special benefits were being provided to the Reserve Components? They would have to admit that AGR's were doing nothing new or special, and were indentical to civilian technicians. At that point, the reasons for the AGR program would collapse. It would be a tacit admission that technicians could just as well improve the level or training for their parent units, and just as readily get them ready for mobilization. The AGR program would be stripped of any reason for its existence, and be revealed for the sham and fraud it is.

AGR's are not a special group of military personnel, whose workday is devoted to participating in military exercises; nor, do they spend their time abiding by a different set of training and mission requirements, than that which applies to civilian technicians. For example, in the Army National Guard, most AGR's are only an administrative, clerical work force. Contrary to what has already been stated, they do not represent a departure from the administrative support role which technicians have always performed. Any attempt to convey a different impression is fraudulent.

In order for the committee to verify what it is that AGR's are expected to do on a day-to-day basis, it need only examine the published AGR Job Descriptions. After having done so, it would be beyond comprehension for anyone to continue any belief in the lie that AGR's do work that is unlike that which has been done by technicians. AGR's are nothing but a redundancy, who do work, that historically, was the sole province of technicians.

When the proponents of the AGR program say that AGR's alone can, and must be used to improve the status of the Reserve Components, they only reveal their prejudiced and myopic viewpoint. In all probability, they know what the truth is, but must live with a lie. This is necessary for them to keep proping up an unnecessary wasteful program. AGR's do nothing that cannot be done by technicians.

To further underscore the relative values of the AGR and Civilian Technician programs, we now make another categorical statement. Technicians alone are permitted to work in maintenance shops of the Army National Guard. We stress this point, because, at times, it has been said that one reason for the AGR program was to provide well trained, highly skilled, personnel, who would be needed to deal with the new and complex equipment entering the Army's inventory.

However, when a new piece of equipment enters the Army National Guard inventory, it is technicians alone who encounter it first. It is they who perform the necessary Technicial Inspection, before any equipment is accepted for use. Further-, more, if any equipment is in need of major repair or maintenance, it is technicians who do it. Please keep in mind that we are speaking of the entire scope of such repair from patching a ripped tent, to calibrating sophisticated electronic equipment, to repairing a tank or howitzer, etc. Without fear of contradiction, it can be said that technicians are far more valuable to the Army National Guard than are AGR's. For, not only can they match AGR's, job-for-job in the administrative area, it is they alone who keep equipment up to standard, without which, no unit could enter battle.

As far as the Air National Guard is concerned, we have a somewhat different picture. But, friends of AGR's can take no comfort from it. Once again, AGR's and technicians both perform administrative duties. On the flight line, they are both involved in getting planes ready for flight. But, there is no distinction in the work they do. What one does is done by the other. Is it any wonder that technicians, with many years of experience on the job, ask why AGR's have been satellited upon the Air National Guard? If they do nothing special, why are they here? Why does

the Air National Guard need them? Interesting to note, the Air Force Reserve does not embrace the AGR Program.

We also draw the committee's attention to the fact that many Air National Guard units still have a preponderance of technicians. Those units have participated in joint training exercises with the regular Air Force and have excelled. Now ask yourselves the same questions that technicians have been asking for years. After all, if units with so many technicians, can do so well against the regular Air Force, who needs AGR's? How are AGR's supposed to improve on the status of those units?

More than joint training exercises, there is hardly a day when Air National Guard planes are not on flight missions within and/or outside the continental United States. It is an exemplary record. The men and women of the Air National Guard have every right to take pride in their achievment. But, it would be ludicrous to say that this very fine record was brought about because of the AGR program, or that it played a major role in establishing it. This is due to the fact that there are many technicians still found in Air National Guard units. We ask the committee to remember how new the AGR program is in relation to the Civilian Technician program. Now think of all those technicians who have worked on aircraft for a longer period of time than the entire life-span of the AGR program. It is axiomatic that there is no substitute for experience. Therefore,it is just common-sense reasoning which is needed to come to the conclusion that only technician have the deep quaility of skills needed to do all the complex jobs required to keep modern aircraft ready for missions. It is not that AGR's have done nothing. All we ask of the committee, is to recognize that the true strength and backbone of the Air National Guard still comes from its civilian technicians. Adding AGR's was only of dubious and marginal value.

It is not our contention that AGR's do nothing or are worthless. We just want the committee to realize that there is neither a pressing need for them, or that the improved level of readiness in various units is not due to inherent factors in the AGR program. Let us give you just one example of what we mean. It will further illustrate the questionable value of the program and help bring into focus the deception that is sometimes used when the need for AGR's is loudly proclaimed.

Since the very start of the Civilian Technician program, only one technician was employed in many Army National Guard units. That one individual was responsible for administration, supply, and training. When the AGR program started, there was an infusion into those units that was never permitted in the Civilian Technician program. We now have situations where there are three AGR's working in those same units! One specializes in training, one in administration, and one in supply. By the mere expediency of tripling the work force, the status of many units has improved. There is neither magic nor originality in that technique. It would have been amazing if things had not improved. More work is being done and in a more timely manner, because there are now more people available to handle the rising tide of work that is needed to keep the Army National Guard at a resonable level of combat readiness.

It is almost an embarassment to hear managers of the AGR program try and justify it on the basis of raw numbers alone. It may be the only valid contribution of the AGR program. But, it may be even a greater embarassment to hear AGR program managers try and deal with the concept that the improvements could just as well have been accomplished by hiring more technicians. They have no honest answers.

It is a travesty of logic and a deception of the worst kind, when it is said that AGR's were needed for the improvements. They simply represent additional hands to do the work. What is most significant, is that those hands only do work that was always done by civilian technicians.

It is now important that we examine how the AGR's of both the Air and Army National Guard learned their day-to-day duties.

This will further tarnish the image of the AGR program and demonstrate the extent it has gone to in order to gain the skills and knowledge without which they could not function. To an extreme degree, those skills and knowledge were provided by the Civilian Technician program.

At the inception, the AGR program was comprised of technicians alone. They were those who elected to convert to AGR status. There was no need to train them, for their jobs as AGR's were no different than their jobs had been as technicians. Some of those converted technicians still exist. But, what of all the new and inexperienced personnel off the street to fill the ranks of the AGR program? How were they going to be trained? Who was going to train them? Arrangements were made to send them to various schools. However, in the vast majority of cases, they did not attend those schools until many months after they were hired. In some cases, it was more than a year's delay. Obviously, the only people available to give AGR's their initial training were technicians. Who else was available? The converted technicians were still few in number. Consequently, it became an almost standard practice for technicains to take new AGR's in-hand, and teach them their day-to-day duties.

This practice continues to this very day. Without technicians, the task of training over 40,000 AGR's would be impossible. Who else knows what has to be done? If any attempt is made to say that formal schooling did this training, it will just be another example of the false and deceptive statements frequently advanced to cover the weaknesses of the AGR program. We have already made reference to the fact that there is no substitute for experience. Formal schooling cannot match working on the job for many years. No school honestly maintains that. Is there any true alternative to working side-by-side with someone who has written a thousand letters, or who has repaired countless aircraft engines? By virtue of its newness, the AGR program could not compare with the experience found in the Civilian Technician program.

How galling it is to hear the proponents of the AGR program laud the skills and achievments of AGR's. Meanwhile, technicians are either damned with faint praise or ignored. The truth of the matter is that the AGR program would be more of an empty shell than it is, if it were not for the availability of technicians. At this point, we ask you to think back to the original standards of the program. Of how it was going to provide skilled and experienced personnel with a wide variety of military capabilities. Does anyone doubt that technicians cringe when they hear statements of that sort?

Consider the viewpoint of technicians who hear that it is AGR's who will replace them; or when they hear that it is the AGR program which is needed to meet the challenges of the future; or when they hear of AGR skills, and AGR's would be a departure from the past. Instead, what they see and experience is a group of employees who are just a reflection of the Civilian Technician Program. Of personnel who turned to them and asked to be trained; of personnel, who have contributed nothing new or different; of large numbers of personnel who are not mobilization assets. Yet, they hear the AGR program heaped with praise and proclaimed a success. We assure the committee, that the use of "sham", "fraud", "deception"., and "waste: are accurate and justified, when describing the AGR program.

It is a matter of simple logic that two groups of workers, doing the same work, will achieve the same results. How much intrinsic value can the AGR program possibly have? There was never any real need to graft the program unto the Reserve Components. Anything that had to be done, could have been done by simply hiring more technicians.

We would now like to turn your attention to the other definition of value which applies to the AGR program. Namely, the very high cost and financial burden it places on all of us.

AGR's are paid according to their military rank and longevity. This, despite the fact that they are not truly members of the regular armed forces. They reside in a gray world, between that of members of the armed forces and civilian technicians. That is to say, that they receive the pay and benefits of the former, while doing the work of the latter. In addition, they are not subject to the Uniform Code of Military Justice that applies to members of the regular armed forces, nor can they be transferred outside the limits of their home state. In fact, they work under the same conditions as laid down for technicians, and work the same work schedule. Consequently, AGR's never endure the hardships one usually associates with the life of a soldier or airman. For example, there are no rotations of duty from post-to-post; nor overseas tours of duty; or irregular duty hours; or long separations from ones family; etc.

We emphasize these issues, because of two reasons. First of all, we have encountered a rising criticism from members of the regular armed forces about AGR's. They want to know why AGR's get the same compensations they get, and at the same time, live such a different life. We regard the criticism as well-founded. So, we ask the committee to keep all of this in mind, when it hears what pay and benefits are given to AGR's, and whether or not the government is getting a proper return.

Under the previous income tax law, AGR's received tax free payments amounting to 20% to 40% of their pay. This was due to the BAQ, BAS and VHA they receive. The difference in percentage depends on the rank and longevity. However, civilian technicians get no tax free payments. This, despite the fact that they all do the same work. Why are AGR's worth this very handsome tax break? It is tantamount to a gift. Once again, consider a technician's viewpoint under this circumstance. Also, consider the financial waste inherent in it. Think of all the tax revenue lost to the government for the mere luxury of having a group of AGR's in its employ. The loss literally comes to millions-per-year. How can this disparity be justified and explained to technicians? Even under the new tax law, the tax free payments will stay in effect. What great benefit does our government get for losing all that tax revenue?

AGR's also have a free, non-contributory retirement plan. The government pays for them. Meanwhile, tecchnicians pay for their retirement. When you multiply the numbers of AGR's employed, with the money that must be paid for their retirement, we have another category of payments that runs into the millions. This would be bad enough, but there is more. AGR's can retire after twenty years of creditable service. Technicians must work until the minimum age of 55. Therefore, there is an average gap of ten years between the two groups. This means that the government is paying out money to AGR's for ten years, while technicians are still contributing to the retirement fund and help keeping it solvent. Also, it must not be overlooked that technicians are still working and providing useful service to their units. Simply put, one contributes and the other takes. One is an economic burden, while the other is not. In each case, it is the AGR who is the more costly, and the less attractive employee, from an economic point of view.

The litany of AGR pay and benefits continues to a scandalous extent, when you consider what they do to deserve them. For example, AGR's get free medical care and unlimited sick leave. It is the government which pays and provides. We need not tell the committee of the current high cost of medical care and how many people would like to have free medical insurance, along with all the time necessary to recover from an illness, and at the same time, not be charged for it. The cost of the medical insurance can be estimated very closely. It reaches into the millions. But, the man-hours lost between one group who has unlimited sick leave privileges and another, who must accrue sick leave, is more subtle. However, it is apparent to anyone who knows anything about the cost factors of employes, that an unlimited sick leave policy is far more costly. Again, the AGR's prove to be the more costly group. Now add to this a generous annual leave policy, granted to them each and every year. It takes many years for a technician to reach the maximum level of 26 days annual leave a year. AGR personnel receive 30 days from the very start. This type of unearned leave policy is very expensive, when put side-by-side with the one that applies to technicians.

On top of all of this, there are a whole array of compensations given to AGR's which are denied to the technicians. The following are just a sample. Bonus payments, Survivor Benefit Plan, free legal counseling, state and local tax advantages. It goes on in a monotonous vein. We will not go any further with this topic, enough is enough. It should be abundantly clear that AGR's are very costly government employees.

Let us take a step backward and take a dispassionate view of the AGR program. What do we see? We see a government program that has not and cannot live up to its promise. We see a program that has been poorly managed. We see a program perform duties that are just an imitation of duties that are being performed by others. We see a program that treats its members as if they were members of the armed forces, when they are not. We see a program that had to draw sustenance in matters of skill and knowledge from the Civilian Technician program, and then claim them as their own. We see a program that has brought nothing new or different to the Reserve Components. We see a program whose limitations in the maintenance area make it less valuable than the Civilian Technician program. We see a program whose level of skill will take many years to match the level currently enjoyed by the Civilian Technician program. We see a program whose true contribution to improving the Reserve Commponents was the addition of personnel and nothing else.

All-in-all, it is an unsatisfying and disturbing display. Most shocking of all, is the realization that in a time of economic strife, we see a government continue to support a failed program. One that is extremely expensive and gives very little in return for all the money it costs.

It is our estimate that if an equal number of technicians had been hired to take the place of AGR's, the government would now be saving about $700,000,000 a year. In no way would this substitution endanger or degrade the effectiveness of the Reserve Components. Civilian Technicians, who taught AGR's what to do, would and could do everything currently being done by AGR's. Furthermore, they would do each and every task to the highest possible standard, which is something they have always done.

No additional AGR's should be authorized, nor should there be any additional funding for the AGR program. It is the Civilian Technician program which should be encouraged and permitted to grow.

RECOMMENDATIONS

1. No additional funds should be provided for AGR growth.
2. Phase out the AGR program through attrition. All full-time support position should become technician positons controlled by OPM Job Grading Standards. Allow AGR's the option of applying for deployable technician positions. (By law, all technicians must work, train and deploy with their units).
3. Conduct extensive hearings on the full-time support program in the National Guard and Reserves. Investigative teams should be dispatched into the various units.
4. Incorporate the following language into the Defense Appropriations Bill:

" None of the funds appropriated by this act shall be available to convert a position in support of the Army Reserve, Air Force Reserve, Army National Guard and Air National Guard occupied by, or programmed to be occupied by, a civilian technician to a position to be held by a person in an Active Guard or Reserve status if that conversion would reduce the total number

of positions occupied by, or programmed to be occupied by, **civilian technicians** of the troop program unit or squadron unit concerned, below the number of positions occupied by civilian technicians in those units as of the end of FY-88."

Mr. Chairman, as President of the Association of Civilian Technicians, it has been brought to may attention that many problems exist since the implementation of the Army National Guard Military Education Program (MEP), as it applies to Civilian Technicians.

Presently, personnel of the Army National National Guard may complete their required non-commissioned office training at certified state controlled training centers. On the other hand, National Guard Civilian Technicians must attend Active Component courses away from their home state which places an additional burden on the technician and the american taxpayers.

In order to complete the required active component training, a technician must utilize his earned annual leave and then submit for leave without pay. Technicians who enter "L-W-O-P" status lose many of the benefits afforded Federal workers.

During the period a technician is attending MEP, the maintenance and clerical workload falls behind. In some cases, replacement workers are hired to fill the void of the absent technician. The replacement workers are not as qualified as the technician. Obviously, this double slotting adds to the overall cost of MEP and has a negative impact on the preparedness of our National Guard Units.

A technician must satisfactorily complete an active component course in order to be considered for military promotion to the next higher grade. Because of the statutory requirement for technicians to hold dual military status as a condition of their civilian employment, their failure to receive a military promotion within a specified time frame would result in a loss of their military status in the National Guard and subsequent loss of their Civilian positions. This places the technician in an untenable position.

Last year many congressional offices joined in writing to the Chief of the National Guard Bureau to request the agency to address the adverse effect MEP had on the Army National Guard Technicians. The response received did not ackowledge the negative effect the program had on the Civilian Technician workforce and offered no solution to the problem.

On March 25, 1987, Rep Dymally of California and Rep. Moakley of Mass. introduced legislation (HR 1808) to suspend the military education program for 2 years pending the receipt of a report by the appropriate congressional committee on the effects of this program on readiness and benefits for Civilian Technicians.

On May 18, 1987 Mr. Dymally offered an amendment to the FY 1988 DOD authorization bill which among other things required a report from the General Accounting Office to be submitted to the Committee of Armed Services of the Senate and House of Representatives relative to the Military Education Program. The report was to be provided no later than February 15, 1988.

It is my understnding that the GAO MEP report is complete and in the hands of the Armed Services Committees. I believe the report finds the MEP to be extremely expensive and does not improve upon the training available to Guardsmen at state schools.

I respectfully request that the DOD/NGB be instructed by this Committee that no allocated training funds are to be utilized to support the MEP requirement.

This concludes my statement, I will be happy to answer any questions at this time.

USE OF CIVILIAN TECHNICIANS ON MILITARY DEPLOYMENT

Senator DECONCINI. How do you answer the question, if you have to be deployed and you do not have the AGR's, you do not have the military technicians to take with you on a deployment, what do you do, take civilians?

Mr. HUNTER. I am not sure I understand your question. If you cannot take AGR's——

Senator DECONCINI. Can you take AGR's? I mean, can you take civilian technicians on a military deployment?

Mr. HUNTER. Oh, absolutely.

Senator DECONCINI. Is that what happens down in Honduras?

Mr. HUNTER. Oh, yes; we have technicians in the Air Guard flying in and out of there constantly.

Senator DECONCINI. What do you do if you were in war, do you take them to the battlefield?

Mr. HUNTER. No; what happens in a war, they are mobilized, everybody is mobilized.

Senator DECONCINI. So they are brought into the service, the civilians.

Mr. HUNTER. Oh, yes; they cut orders immediately.

Senator DECONCINI. They have to be federalized in order to do that.

Mr. HUNTER. Yes; the same as the AGR. You see, the AGR is on State active duty. If he goes on active duty, we have to cut orders for him, absolutely. There is no time saved by having that AGR there. In the same amount of time it takes to cut the orders for the technician, they cut the orders for the AGR.

Senator DECONCINI. He has his uniform on, is that all?

Mr. HUNTER. Presently, the technician has his uniform on also and has the uniform in the locker, sir. Every technician has that uniform in the locker, and every Guardsman who is not even on the post—it takes them 48 hours to deploy any unit. Nobody is going to deploy posthaste. Besides, again, the STARK people do not deploy, they stay behind.

Senator DECONCINI. Thank you, Mr. Hunter, for your testimony.

SUBCOMMITTEE RECESS

This subcommittee will stand in recess subject to the call of the Chairman.

[Whereupon, at 12:15 p.m., Thursday, April 21, the subcommittee was recessed to reconvene at the call of the Chair.]

MATERIAL SUBMITTED SUBSEQUENT TO CONCLUSION OF HEARING

(CLERK's NOTE: The following material was submitted subsequent to the conclusion of the hearing.)

PREPARED STATEMENT OF T. BYRON COLLINS, S.J.
SPECIAL ASSISTANT TO THE PRESIDENT
GEORGETOWN UNIVERSITY

Mr. Chairman and Members of the Subcommittee;

I am T. Byron Collins, S.J., Special Assistant to the President of Georgetown University. With me is Mary Albert, Director of Government Affairs at the Medical Center. We appreciate the opportunity to submit testimony for the record to you.

We wish to commend the Congress and the Department on the Armed Forces Health Professions Scholarship Program. In this program, young men and women become commissioned officers in one of the three services while they attend medical school. The services pay tuition and fees, and a monthly stipend to the scholarship students. At the conclusion of their training, the young physicians are required to return a year for year service payback (with a minimum of two years).

The program has remained at a stable level for several years. It is monitored by the Assistant Secretary of Defense for Health Affairs, but the Services administer their own program. In the present year, the Army has 1,240 scholarship students, the Navy 1,050, and the Air Force 1,300. Only the Air Force restricts the students' choice of school, limiting enrollment in the top tuition schools to 15%. This corresponds pretty well to the applicants to those schools, and has therefore not appeared to an undue hardship upon applicants.

This program not only provides a substantial scholarship opportunity to outstanding young men and women (Georgetown has 149 of its students in the program, divided approximately 25%, 30% and 45% in the Air Force, Navy and Army respectively), but also assists the military in filling their medical positions: Among the three services, the Health Professions Scholarship Program accounts for about 70%.

We wish to commend the Congress and the Department of Defense for continuing this important and successful program.

NAGE SEIU

NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES

PREPARED STATEMENT OF CHARLES HICKEY

NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES

Good morning Mr. Chairman my name is Charles Hickey and I'm National ~~Vice~~-President with the National Association of Government Employees, an affiliate of the Service Employees International Union, AFL-CIO.

The NAGE is pleased to have this opportunity to present our views and recommendations on issues in the FY89 Defense Appropriations Bill effecting federal workers. I would like today, to limit my remarks to some of the key issues effecting the civilian technicians of the National Guard.

The National Association of Government Employees is appreciative of the support this Committee has shown to the civilian technician program. As you are aware civilian technicians provide full time support for our Reserve and Guard forces. Pursuant to the National Guard Technicians Act of 1968, technicians are exempt federal employees who as a condition of their civilian employment must maintain military membership in the National Guard. The majority of our technician members are highly skilled mechanics and technicians who are principally responsible for the care and maintenance of billions of dollars of DOD property. The technician workforce has won universal praise for it's skill, productivity and cost effectiveness.

This workforce has however had it's efficiency, and cost effectiveness, jeapordized by several DOD initiatives including the AGR, MEP, programs, retention panels, and broad requirement on wearing the military uniform.

One program of particular concern to NAGE technicians is the administration of the so called military education program. The military education program was established in March 1985 by the National Guard Bureau. Under the military education program all Army Guard Technicians must attend courses at one of several centers nationwide in order to be promoted militarily. These education programs can last anywhere from two to six months. Prior to imposition of this requirement the fifty states provided their own education program which technicians could accomplish largely on weekends. Many states have constructed extensive training facilities in part to accomplish this purpose and are committed to providing excellent training opportunities for technicians. We're aware of no evidence that the states have been deficient in training technicians.

The MEP program is a wasteful method of training technicians. The cost of sending a technician out of state for weeks and months at a time is radically higher then providing the education in state on weekends. In addition the loss of these key personnel to the state can have a negative impact on the state productivity as states will be forced to either hire expensive temporary help or be forced to function shorthanded.

The MEP program has been administered in a manner which is patently unfair to the technician workforce. Under the terms of the program all technicians who were promoted after August 1, 1985 will be demoted and will be forced to return backpay if they do not complete the MEP by a certain date. These technicians qualified in good faith for promotions based on established educational criteria. This is a little like graduating from law school and learning that your admission to the bar is blocked because the Board of Education in it's latest session changed retroactively the requirements for graduation from high school, and you no longer are considered as being a high school graduate. With these retroactive changes in educational requirements technicians must now choose between long months away from home or the loss of grade, and pay. Many technicians are unable to attend these training programs through no fault of their own. In the state of Washington, for instance, a technician who was threatened with a demotion from E-8 to E-7 unless he recieved the necessary E-8 training mailed the necessary application form for the E-8 training. His application was rejected with the classic catch 22 reasoning that the training was available only to those E-7 seeking promotion to E-8 and not to those already at the E-8 rank even though if the technicians fails to get the training he will be demoted to an E-7. In a straightforward, straightfaced manner the technician was notified that once, however, he is demoted he would be eligible for the training.

Technicians are also being denied mandatory training because they lack earlier prerequisite courses. These courses taken at the old state schools are no longer accepted as prerequisites even though the technician at the time qualified in good faith compliance with the then relevant regulations. Thus a technician seeking training for a E-8 is denied the opportunity because he lacks a "diploma" from prescribed E-7 courses. The technician lacks the E-7 training because it was not required at that point in his career. Thus to be promoted to an E-8 level the technician is forced to go out of state for training both at the E-7 and E-8 level. Sometimes the amount of training mandated to become "current" is staggering. In Florida for instance, a technician from the Air Guard was notified following a "routine" check of his personnel file, that he must attend three schools within the year or else lose his position. These three courses total 42 weeks in duration. All of this time would be spent out of state, away from his young family and at a substantial loss of pay. The technician just "happens" to be the State Union President.

The MEP program is being administered in a manner which is creating undue financial hardship to technicians. Under the terms of the program technicians who lack sufficient annual leave must go on a leave without pay status. Since the program lasts up to nine months, few if any technicians have accumulated this much annual leave. The consequences of being on leave without pay are drastic to technician pay and benefits. While on leave without pay status technicains do not earn civil service retirement credits. Most importantly many technicians particularly those at the lower military ranks will receive substantial reductions in their pay. At our local in Florida technicians working as WG-11 aircraft mechanics will lose $500 a month in take home pay per month while on MEP. Some technicians in the state of Washington are losing as much as $1,000 per month in take home pay.

NAGE urges that a moratorium be placed on this costly MEP program. In last year's Defense Authorization Bill the Authorization Committee inserted language mandating a compreshensive GAO study. While that report has not been made available, preliminary reports which we have recieved confirms the arguments we've advanced to the Committee about the MEP. A moratorium would insure that no technician is unfairly demoted or removed and would save the taxpayer's considerable amounts of money in training costs in this time of budgetary shortages.

Although the technician workforce has been one of the DOD's most productive it's existence has been threatened by destructive initiatives from the National Guard Bureau. Under Public Law 93-365 staffing for the Department of Defense, including the technician workforce, is governed by the direction to use the least costly form of manpower consistent with military requirements and the needs of the Department of Defense. The DOD has consistently sought to evade this law in it's insistence upon employing AGR personnel rather than civilian technicians. The AGR workforce is more costly because they recieve greater and more costly benefits and are paid at a higher rate than are civilian technicians. The AGR workforce receives substantially higher wages than technicians performing the same duties. In fact it is not uncommon to have a technician supervising an AGR who makes more money than the technician. AGR personnel are entitled to a full military retirement following 20 years of service at any age. By comparison technicians cannot retire until age 55, and only after 30 years of service. AGR are also entitled to selective reenlistment bonuses, commissary privileges, and housing allowances, none of which is available to technicians.

Despite this evience of the cost effectiveness of the technician workforce the DOD has consistently sought to increase the numbers of AGR personnel at a significantly higher rate than the proposed increases in the technician workforce.

The rapid expansion of the AGR workforce with the consequential reduction in the relative nunbers of civilian technician has significantly reduced the opportunities for promotion and career advancement of technicians. Most importantly however, savings as such can be realized by relying on the technician rather than AGR workforce is extremely important in this era of Gramm Rudman budgets. The AGR program is a waste of scarce defense dollars. We urge the Subcommittee to include language which reduces the growth in the AGR and increases growth of the technician workforce.

A key factor impacting on morale is the Guard's policy on retention. The National Guard Technicians Act of 1968, (Public Law 90-486) provides technicians with the status of federal employees who as a condition of employment are required to maintain military membership in the National Guard. Recent changes in military policy and regulation have subjected technicians with 20 years or more of service to increased risk of involuntary retirement and separation. Technicians with 20 years or more of service are forced to face a retention board which has the option to refuse to re-enlist technicians for a number of subjective factors. Technicians who lose their military membership, will also lose their civilian job.

Technicians who are separated under this regulation can face real hardship. Many technicians started their careers in the Guard at an early age and are subject to separation in their early forties. Under current law technicians would not qualify for an unreduced annuity until age 55. With even minimal levels of inflation the value of the annuity would be reduced considerably. The job prospects of many technicians in military specializations are limited. These individuals would require extensive retraining for the private sector. None is currently provided. The threat of being separated from service at a young age without retirement benefits is causing many young technicians to seek employment in a more humane setting. This policy is a major contributory cause of the decreasing experience level among skilled technicians.

Another area of mismanagement of the technician program has been DOD's persistent insistance that civilian technicians wear their military uniforms even while performing their civilian duties. The concept of citizen - soldier has a long and honorable tradition in this country. Allowing for standardized civilian dress preserves the unique status of the civilian technicians who are joined to both the civilian and military worlds.

There are very practical reasons for allowing technicians to wear standardized civilian attire. Most of our technician members are involved in the repair and maintenance of DOD hardware. These are jobs where the technicians clothing will of necessity become soiled with oil, grease and grime. It demonstrates little respect for the uniform if it is to be worn under these circumstances. In fact substantial numbers of active duty personnel in similiar "dirty" occupations are allowed to wear blue coveralls while performing maintenance functions. Finally, the military uniform requirement imposes extra cost on the American taxpayer. We urge the Chair to adopt appropriate language to prevent this waste of federal funds.

Mr. Chairman, we appreciate this opportunity to present our views to the Committee regarding the civilian technician program.

NDPC National Democratic Policy Committee

PREPARED STATEMENT OF RONALD KOKINDA

Thank you, Mr. Chairman, for the opportunity to testify on our national defense.

The National Democratic Policy Committee is a proponent of peace and war avoidance through a policy of U.S. and free world military preponderance over our totalitarian allies. The NDPC believes that the conflict between East and West is preponderantly a conflict of culture, and that by engaging the East in a race for economic, scientific and technological advancement, the East will be forced to accept elements of Western culture into its society, or be greatly embarrassed in that race. Such a process over at least two generations would significantly ameliorate the danger and cause of conflict.

Consideration of our national defense is unfortunately, taking place in a climate of increasing pessimism emanating from the advocates of the "School of Decline" such as Paul Kennedy, Walter Russell Mead, Foreign Affairs magazine, the New York Times Sunday magazine, and the recent meeting of the Trilateral Commission in Tokyo for which Zbigniew Brzezinski came forward as a spokesman. The "Imperial Overstretch" thesis of this group is that the U.S. is a badly overextended, declining empire, whose declining rates of economic growth are preordained, and therefore the U.S. undergo a global retrenchment and abandonment of our global military commitments.

The NDPC finds this thesis superficial and without merit. To make national defense decisions based on these fallacious premises would be foolish and dangerous in the extreme.

Meeting our immediate defense needs and engaging in that longer term technological race are both rooted in a much and quickly needed change in national economic policy. The NDPC is calling for a national economic and defense mobilization similar to that which led to a doubling of industrial production from the period of 1940 to 1943. This Franklin Roosevelt led mobilization produced dramatic economic results, especially when compared to the previous decade of depression.

The NDPC is convinced that an adequate defense for the U.S., within the context of our world alliance system, makes mandatory an increase of defense expenditure of the order of about 50 percent, or roughly $150 billion in 1987 dollars. It would create hardship to pay this necessary cost under today's economic conditions. But it could be readily met under conditions of rapid economic growth. Regardless, it is the minimum necessary to meet the only criteria for its size that matters--the Soviet threat.

In evaluating defense needs, let us take a brief look at the situation of factional conflict within the Soviet Union.

Perestroika was introduced into the Soviet system beginning about six or seven years ago as a means of forcing Soviet workforces to accept very high rates of adaptation to technological progress to increase the efficiency of military production. Perestroika and Glasnost were advanced within the context of an all out economic mobilization for military purposes. Gorbachov is seeking to fulfill the requirements prescribed by the Ogarkov Plan to develop an overwhelming first strike capability, and force a quantum leap in Soviet weaponry from the ICBMs of today to the development of space strike weapons, a strategic defense initiative of their own, and the rapid development of an entire new array of Radio Frequency weapons.

Just prior to the Washington summit, Yegor Ligachov told the French press that he was in control of economic, cultural, educational and social affairs within the Soviet Union, and that Gorbachov was delegated to represent a collegial policy consensus on foreign policy and arms control. We should look at Ligachov, Chebrikov, the head of the KGB, and Marshall Ogarkov, representing the military, for the center of real power.

There is great instability in Moscow. Partly, this derives from Gorbachov falling behind on perestroika. It includes the uprisings among various ethnic minorities within the Soviet Union itself from the Baltic to its southern borders. It also derives from the extreme looting of its minorities and the Eastern satellite nations. Eastern Europe could well be the scene of explosions this summer, of which the Polish strike is a probable forerunner.

What all this means is that Gorbachov, whose major role has been to induce the West to foolishly accept policies such as arms control pacts to its own severe disadvantage, could be out very soon. The June All Union Party Congress may likely be the scene of a turn, from Gorbachov's smiling face, to a shift toward confrontation and ruthless exploitation of the economic crisis of the West.

If Gorbachov goes, the INF Treaty is a dead letter.

It is imperative under these conditions that U.S. defenses be strengthened. It is imperative that we meet our global commitments, especially that there be no pull back from our commitment to defend Europe and South Korea. There must be no pull back of U.S. troops from overseas.

The military component of an economic mobilization should include a significant expansion of our nuclear deterrent. The NDPC recommends building on the order of about 1000 MX missiles on an assembly line basis. The NDPC further recommends laying down some two dozen keels of Ohio-class submarines.

Importantly, the Strategic Defense Initiative should be placed on the footing of a true crash program effort, along the lines of the Manhattan District Project during World War II. Evidence continues to accumulate that the Soviets are indeed preparing for a breakout from the ABM Treaty.

And most importantly, we must devote a significant effort to master an entire range of weapons known as Radio Frequency weapons. The U.S. is already facing what some have called a "Zap-Gap."

I would like to briefly review some of the parameters of the economic mobilization which the NDPC has called for.

We must act to stop the collapse of state and local banking institutions, and to stop the liquidation of farms and industries. The Congress and the President must work together to deliver about $2 trillions a year in new, low-cost credit for investments in infrastructure, industry, agriculture, and export-financing. Tax-reforms, including investment tax-credit incentives to promote increases in industrial jobs, must also be enacted.

These measures would generate five millions new industrial jobs within less than four years, which means an increase of between twenty and thirty percent in per-capita income within four years.

The plan for the colonization of Mars will ensure that the United States is first in technology for fifty years to come. It is a Mars project which assures us today, that forty years from now, our grandchildren will have a standard of living ten times the average income in the United States today.

Military strength is based on economic power. And this latter has always flourished through dirigist economic policies in the spirit of Hamilton and Lincoln, and never through the ill-conceived notions of Adam Smith or Keynes.

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1989

TUESDAY, MAY 10, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:55 a.m., in room SD–192, Dirksen Senate Office Building, Hon. John Stennis (chairman) presiding.

Present: Senators Stennis, Proxmire, Johnston, Leahy, Sasser, DeConcini, Stevens, Weicker, Kasten, D'Amato, Rudman, and Cochran.

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE

STATEMENTS OF:

HON. FRANK C. CARLUCCI, SECRETARY OF DEFENSE

GEN. ROBERT T. HERRES, UNITED STATES AIR FORCE, VICE CHAIRMAN, JOINT CHIEFS OF STAFF

FISCAL YEAR 1989 BUDGET WRAP-UP

OPENING REMARKS OF CHAIRMAN STENNIS

Chairman STENNIS. All right, ladies and gentlemen. We are just a little early on the 10 o'clock opening of this hearing. We have other hearings on the subject matter that are also pressed for time, and that puts a pressure on for time and other kinds of pressure, maybe, too, on the witnesses themselves.

We have the Secretary who is already here with us There are a number of absentees. The Chair's information is, there are quite a few more that are planning to come in, and we do not yet have representation but are assured we will have representation from the so-called minority members.

So unless there is objection, I am inclined to say that we proceed, and the ones that are not here now will have another chance.

Mr. Secretary, are you ready to proceed?

Secretary CARLUCCI. Yes, sir.

Chairman STENNIS. All right.

Well, with those conditions prevailing, and I understand that is agreeable to the membership, Senator, we are proceeding here a little before time, but we are not going to have enough time anyway.

Senator Proxmire, we are going to start now a little ahead of time.

I am really pleased that we are having just this kind of a hearing as represented by this opening statement, and I was most favorably impressed, members of the body, with the substance value of this testimony by the witnesses, already prepared by them, and it goes into the record here, and it goes for discussion and an exchange of views by the membership of the committee, and it is a workshop, a workshop of material from top to bottom, of many of the major parts of this massive military program upon which a great deal of work has already been done, some of it in committee form going back as far as two years, and then reviewed again by 1 year ago effort not only by our committee but by other committees, House and Senate, and White House.

I have never seen anything quite equal to the show of knowledge and spirit and willingness to combine an answer that we had here 2 years ago when we finally came forth with an agreement by the House of Representatives and by the Senate and by the White House, all put together, and served not only that year but serving this year. So it shows it can be done.

Now, I have here a fairly brief statement here that undertakes to sum up in a measure of one page the nature of this matter, and it is not only our committee members but other members of the legislative body, not only limited to them, but it also covers matters here in an understandable way that it can be understood and digested in part, at least, by the people as a whole, more plainly put by the taxpayers.

I will proceed briefly, as I just said. Today the Defense subcommittee has its wrap-up hearing on the Defense budget. Our witnesses are Secretary of Defense Frank Carlucci and Gen. Robert T. Herres, Vice Chairman of the Joint Chiefs of Staff.

Somewhat like previous years, this year the size of the Defense budget is not altogether a major issue. Last November, as I related, the President and congressional leaders agreed upon 1989 budget levels in the Budget Summit agreement.

Now, I believe that it is the most far-reaching single, double or triplicate agreement that I have ever seen that we have had around here during the time I have been here, and the worth of it and the practicalities of it have certainly proven their value.

In scheduling this hearing now with the Secretary of Defense, near the end of the annual hearing cycle, the subcommittee is seeking guidance that will help us prepare, further prepare a responsible markup, and this Secretary certainly knows his subject matter, and he is not afraid of work, and the subcommittee is interested in reviewing the priorities and goals that led to the major decisions in the 1989 budget. Also of interest are developments affecting the budget that have occurred since preparation of the 1989 budget. Those events are going to be listed.

But I want to say with emphasis that I am not a businessman and never have been and do not have the capacity in that field, but I know enough about it to know that these matters that are being brought out and brushed on and debated and agreed on and put into the law, they have tremendous value to the military and administration and to the taxpayer and to all of those, and that includes all of us that are involved, and they relate now to the progress on this INF treaty and the budget markup by both Senate and House Armed Services Committee, progress on the development of outyear funding programs by the OSD staff, expansion of U.S. involvement in the Persian Gulf, increased cost of stationing troops overseas because of currency fluctuation.

Now, Secretary Carlucci and General Herres, I have spoken to you gentlemen before. The subcommittee looks forward to the presentation from these gentlemen on this 1989 budget request.

Is there anyone that wants to say a brief word now at this point?

Senator RUDMAN. No thank you, Mr. Chairman.

Chairman STENNIS. All right.

Mr. Secretary, you proceed, please.

COMMENDATION TO COMMITTEE CHAIRMAN

Secretary CARLUCCI. Thank you, Mr. Chairman, distinguished members of the committee.

As you referred, Mr. Chairman, very kindly to my prepared statement, with your permission, I will submit that statement for the record and summarize it.

Chairman STENNIS. It is a very valuable statement, as I said, and without objection, it will be put on the record for the benefit of every member and every interested person.

Secretary CARLUCCI. Mr. Chairman, in all probability this will be your last hearing as Chairman of this committee with the Department of Defense. I want to express my appreciation and the appreciation of everybody in the Department for the support that you have given to the Department of Defense over the years, years of very distinguished service. It has been a great pleasure to work with you, sir, and we wish you well.

Chairman STENNIS. Well, I thank you, sir. I have not learned a great deal, but most of what I have learned, a great deal of it came from you. And you can make the thing work. So thank you for your fine, outstanding service.

BUDGET SUMMIT FIGURE FOR DOD

Secretary CARLUCCI. Mr. Chairman, as you indicated, the Budget Summit came up with a figure for the Department of Defense. We have gone through hearings in other committees. By and large, the Congress has been supportive of the ceiling established by the Budget Summit, which means that the Congress shares our concerns about the need to protect our gains and retain an effective fighting force. Our priorities as a result of the Budget Summit, the priorities that we used to put together this budget are very straight forward. They are quality personnel, readiness, and efficient acquisition.

PERSONNEL LEVELS

In the personnel area, we elected to reduce personnel levels some 45,000 from actual 1987 rather than risk the quality of the military personnel by further erosion of the lay base. Consequently, we asked for a pay increase of 4.3 percent. The military currently lags behind the civilian sector by about 11 percent in pay comparability, so we attach very high importance to getting the pay raise. The Senate Armed Services Committee in the authorization bill, has supported us on this.

READINESS

Second, in the readiness area, we chose to reduce force structure rather than let readiness diminish by cutting training and support, and our budget maintains training and support from the 1988 levels. In the area of efficient acquisition, we terminated or deferred programs rather than stretch out or incur higher unit costs.

FORCE STRUCTURE

The force structure cuts that we took to pay for all of this were fairly significant. We are talking about deactivating a total of four air wings, 16 ships, an Army brigade, and some 800 helicopters. We are talking about a decrease in personnel, and we are talking about terminating some 18 weapon systems.

But I continue to believe, Mr. Chairman and members of the committee, that it is better to have a smaller effective force than to repeat the experience of the 1970s and have a force that is hollowed out and is lacking in readiness and sustainability.

The Senate Armed Services Committee has been generally supportive of our priorities. The House, on the other hand, has realigned about $6 billion in our budget. Two items are of particular concern to us. The House reduced some $700 million from the Peacekeeper rail garrison basing mode and added $400 million to the Small ICBM. That means that the Peacekeeper is only funded at about $100 million, and the Midgetman is funded at about $600 million, which totally reverses our priorities.

The Senate Armed Services Committee, on the other hand, supported our priorities and supported rail garrison MX, which is far more cost effective than Midgetman, and I would be prepared to go into details on that in the question and answer period.

The Senate Armed Services Committee supported our $4.5 billion request for the SDI program. The House drastically reduced the funding for that program by some $1.4 billion.

BURDEN SHARING

Mr. Chairman, I know, as the committee looks for savings in the budget, attention has focused on the activities of our allies. This is a subject which Senator Sasser has taken a particular interest in, but the interest is widespread throughout the Congress. Let me just say a word about burden sharing.

Burden sharing, in my judgment, is a legitimate issue. Our allies can and should do more. In my judgment, sir, we can and should do more as well.

It is very important that the burden sharing issue be handled properly, that we not engage in what would seem to be a punitive exercise against our allies, arguing that they need to do more so that we can do less.

Rather, it seems to me that burden sharing has to be viewed in a collective national security context. We are not engaged in a philanthropic undertaking in NATO. We are a member of the NATO alliance because it is in our best interest. That alliance provides us with benefits. It is erroneous to use any one single measure such as percentage of gross national product. There are a variety of measures that one must use.

If we deal with this issue in the broad context of roles, missions and responsibilities, and deal with it inside the NATO forum instead of on a bilateral basis, I believe we can make some progress, particularly in such areas as arms cooperation, out-of-area activities, and host nation support.

Accordingly, I have set up a task force to deal with this issue, and Deputy Secretary William Taft is currently visiting our allies. He has completed a visit to NATO and is now on his way to Korea and Japan to discuss the burden sharing effort with them. The responses to his discussions so far have been quite positive.

Also, yesterday I discussed this issue with NATO Secretary Peter Carrington who is very supportive of our efforts.

PROCUREMENT PROGRAMS

In addition to simply looking at forward deployed forces for savings, I think it is vitally important that we look at our procurement system for savings. There, the principal threat to bringing about any reductions is the chronic instability in the budgeting and programming process. The 0.7 percent decline in real growth in the amended fiscal year 1989 budget marks the fourth consecutive year of real decline in Defense funding. In my judgment, Mr. Chairman, we are reaching the level where the risk entailed in implementing our strategy is a matter of concern.

We can, of course, handle our responsibilities if the 1989 budget is voted, but if the downward trend continues, it will become a matter of serious concern.

Anyone running a business knows that the key to success is to set long range goals and hold to them and have stable funding toward those goals. In the Defense Department, we find ourselves subject to great irregularities in the budget process. Quite frequently, we do not get our budget until well into the fiscal year. We have many changes in the budget. There is then an interregnum of no budget, and once again we go into a new fiscal year without a budget.

If we had some predictability and stability in that budget process, I have no doubt whatsoever that we could achieve significant savings in our procurement process. This kind of predictability and stability would enable us to work with the contractors in a could-cost program to cut their costs. Contractors with whom we have had discussions have indicated that they could cut costs anywhere from 20 to 25 to 30 percent. But an underlying premise for dealing with the cost base is to get some stability in the budget process. Hence, we have moved to biannual budgeting, and I commend this process to the committee.

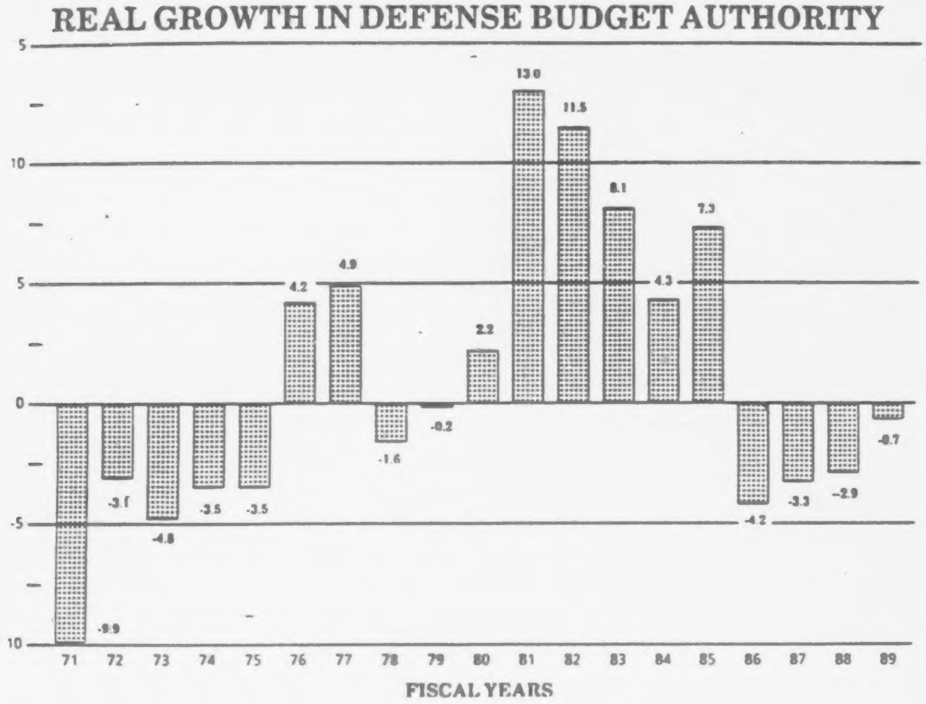

CHART 1

DOD FUNDING 1970/1989

Mr. Chairman, if I may just show you a chart of funding for DOD from 1970 to 1989, you can see what I mean. The funding has gone up and down in a way that makes it virtually impossible to plan sensibly.

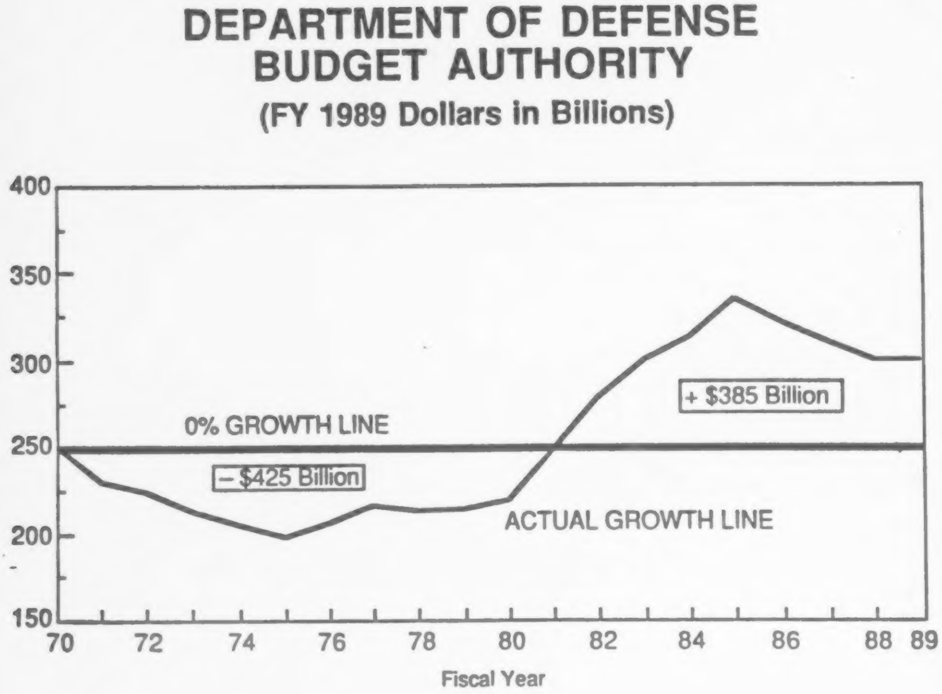

CHART 2

REAL GROWTH

Let me show you another chart which demonstrates that had we had zero real growth from 1970 on, we would be just as well off as we are today with those ups and downs.

I am not here seeking dramatic real increases in the Defense Budget, although I believe it is important, indeed essential, that we have 2 percent real growth in the outyears. Even more fundamental is the need to avoid the kinds of ups and downs shown on this chart, and to get some stability into the process.

I am presently working on identifying some stable programs which we could break out of the budget, and I would be prepared to come to the Congress and ask for 5 year funding for those programs. I think we could achieve savings well into the billions of dollars if we would do so.

We have demonstrated through some 50 multiyear funding programs that we could save as much as $7 billion, so the savings by breaking out additional programs might well be in excess of that figure.

Let me conclude with a recommendation that the Congress do everything possible to give us our budget on time and to provide some long range projections and long range stability in the funding process.

That concludes my presentation, Mr. Chairman.

[The statement of Secretary Carlucci follows:]

PREPARED STATEMENT OF HON FRANK C. CARLUCCI

SECRETARY OF DEFENSE

Introduction

Mr. Chairman and members of the Committee, it is a pleasure to be here today. I think that the hearings on the Amended FY 1989 budget so far, including Deputy Secretary Taft's testimony before this committee in March, have gone very well. The budget authority and outlay levels for FY 1989 agreed to in the budget summit have been supported in the House and Senate Budget Resolution targets and the Authorization Committees' markups. The Congress seems to share our concerns about the need to protect gains made to our defense capability and to retain an effective and ready fighting force. There seems to be a recognition of the difficulties we had in adjusting our budget, and I hope we can agree about the need for stability and predictability in defense funding.

However, I am concerned about congressional support in several areas that are critical to providing the military capabilities necessary to support our defense strategy:

- maintaining defense priorities;
- budget stability and predictability;
- congressional micromanagement; and
- timely congressional action on defense requests.

Today, I want to discuss my concerns about recent actions by the Congress and offer some solutions in each of these areas. I also want to discuss the importance we place on the INF Treaty, the strengthening of our conventional forces in NATO, and our efforts to ensure an equitable solution to the burdensharing issue.

Maintaining Defense Priorities

The defense budget this year is unique. We started the congressional review of the defense request with an agreed-to funding level that set defense budget authority and outlays for FY 1989 at $299.5 billion and $294 billion respectively. We have supported the agreement because it set both a floor and ceiling on defense funding, and I feel it does support an affordable, sustainable plan to keep us safe. We will be able to keep top-notch people filling the ranks, ensure that our force, albeit smaller, remains at a heightened state of readiness, and maintain efficient acquisition of weapons.

Our priorities in making the adjustments to meet the levels in the budget summit agreement were straight-forward. We sought to protect people, readiness, and efficient acquisition. In order to pay for these priorities, we had to make a number of painful choices to achieve the best defense capability at the constrained budget level.

Rather than risk reducing the quality of the people in the force by reducing the pay raise, we proposed reducing personnel levels.

Rather than let the readiness of the force diminish by cutting training and support, we proposed reducing force structure.

Rather than decrease quantities of a large number of production programs and incur higher unit costs, we proposed terminating uneconomical or marginal programs, reevaluating new programs, deferring some programs and delaying the start of others.

The priorities we set have not changed. However, congressional action to date on our request raises many issues of national priorities within the defense budget. For example, the House Armed Services Committee (HASC) shifted about $6 billion to programs they perceived to have a higher priority and House floor action made further realignments. Although many of the additions recommended by the House would be useful if considered separately, I do not believe they are consistent with the overall balance of the President's amended FY 1989 request. Nor are they affordable in view of current fiscal constraints.

The HASC reduced the military pay raise to 4 percent and reapplied these "savings" to other areas. This Administration attempted to protect an adequate pay compensation rate within the budget summit agreement levels, particularly for the military members who serve this country and provide our defense. The 4.3 percent pay raise for military personnel is critical to preserving some of the gains made since 1981 in recruiting and retention. Since 1982, private sector pay has increased 11 percent more than military pay as a result of caps on the size of military pay raises. It is essential for recruiting and retention that there not be a further decline in the relative value of military pay.

The House reduced $700 million from the Peacekeeper/Rail Garrison program and added $400 million to the Small ICBM program, Midgetman. Our clear preference is for Peacekeeper/Rail Garrison. The termination of the Small ICBM program would save approximately $39 billion in acquisition costs. The cost of 100 MX missiles in Rail Garrison would be approximately $17 billion, and would provide us with 1,000 warheads compared to 500 warheads on Midgetman. It is my view that, given the fiscal constraints we confront and the likelihood of continuing constraints in the outyears, it is going to be extraordinarily difficult, if not impossible, for this country to afford two land-based mobile missile systems. However, in the interests of maintaining what has come to be called the strategic consensus on the Hill, I agreed to put $200 million in this budget request which, when put together with the $700 million voted last year, should be enough to keep Midgetman going through the fiscal year. This would provide the next Administration with the option to restart the program, should they choose to do so.

The House reduced some $1.4 billion from the Strategic Defense Initiative (SDI) program. The $4.5 billion for the SDI program we requested in the amended budget continues the technology demonstration and validation program necessary for a feasibility decision on strategic defenses. SDI has been restructured as a result of congressional cuts, but continues to make satisfactory progress toward an effective defense. We are confident that our goals for SDI can be met and we request that the necessary funds be approved to allow us to continue our efforts to eliminate the threat posed by strategic nuclear missiles.

For the most part, the SASC sustained the defense priorities we adopted in the amended budget and further recognizes the need to protect these programs in the future.

Budget Stability

One of our greatest problems continues to be the instability of defense funding. The budget summit agreement affords an excellent opportunity to create a consensus between the executive and legislative branches on realistic and stable funding for defense programs. We strongly believe that this is overdue. The adjustments we have made to support the bipartisan summit agreement represent a good faith effort on our part to help achieve this consensus.

Nevertheless, the 0.7 percent decline in real growth in the amended FY 1989 budget marks the fourth consecutive year of lower defense funding. If the trend continues, we could very well return to a sustained period of underfunding for defense. The erratic increases and decreases in defense funding over the past 20 years led to substantial inefficiencies in program execution. There is no question that we could generate savings, especially in procurement, if we could return stability, predictability and steady growth to defense funding. Without stable funding, we cannot protect the gains we have made after seven years and almost $2 trillion or guarantee that our restructured forces can sustain our security responsibilities.

However, long-term stability cannot be achieved with just one budget. The approximate 2 percent annual real growth proposed in the DoD Topline for FY 1990 to FY 1993 is the minimum necessary for us to support adequately our forces and continue our modernization program to meet future threats to our security. In fact, there is some question, whether further trimming of force structure may be needed. The two percent real growth does not entail an increase to previous years estimates for the same period. In fact, it represents a decrease from earlier topline estimates, which called for real increases from 3 to 5 percent from a higher starting point.

This topline was provided to the Services for the preparation of their program objectives for the next five years. The review of these programs is currently under way. I should point out that the guidance provided to the Services in preparing their program objectives reflects the same priorities that we used in preparing our amended FY 1989 request: retain quality people, maintain readiness, and program for efficient acquisition. While it has not been an easy task for them to rescale their programs within this fiscal guidance, I believe that we will be able to retain an efficient and effective force if the Congress will support our modest 2 percent real growth topline.

Unfortunately, both the House and Senate budget resolutions propose reductions ranging from $3 or $4 billion in FY 1990 and $8 or $9 billion in FY 1991. While I am heartened by congressional action to sustain the budget summit agreement for FY 1989, I am concerned about the lack of congressional support for our current topline.

Another important component of budget stability is the enactment of authorizations and appropriations for two fiscal years at a time. The overriding benefits to the Department from biennial budgeting would be the program and resource stability resulting from economical program execution available to defense managers. Materials and components could be purchased more efficiently using economic order quantities earlier in the contract period. This is particularly true of long-lead components, such as those required for shipbuilding or major weapon systems. The ability to employ multiyear contracts has proven cost effective, as the reduced risks to the contractors are translated into lower costs to the government. Biennial budgeting would facilitate the aggressive use of multiyear procurement and encourage more competition. The assurance of two years of production should attract additional competitors for defense programs, especially those on the margin, who may have deemed it not cost effective to tool and train for only one year's effort. It would also help us to strengthen the defense industrial base.

The Department has fully implemented a two-year cycle and will submit a biennial budget next year for FY 1990/FY 1991. What is required now to achieve the true benefits and efficiencies of biennial budgeting is the full commitment by the Congress to enact authorizing and appropriating legislation for that two-year request.

Stability is also the key to effective management, quality performance, and affordability of defense acquisition. Stable funding by the Congress is a prerequisite to meeting program cost and schedule goals; stable, well-considered requirements, understood and supported by government and contractor, will eliminate costly changes later; and a stable legislative and regulatory environment allows creative and experienced people to utilize fully the tools provided in their search for improved quality and reduced cost.

We are introducing a total quality management strategy in the Department and to its contractors. Quality will be the responsibility of the entire acquisition team from design through production to deployment. Studies have shown that 95 percent of the effort involved in production is related to efforts other than actual physical production. We will focus on the inefficient and costly practices that occur within this 95 percent.

The success of our strategy to improve quality in defense products and a more efficient acquisition process depends on increased cooperation between the executive and legislative branches and between government and industry. We will seek positive and cooperative ways for the Department and industry to work together to reduce costs and promote quality.

Congressional Micromanagement

In recent years, issues other than national security have dominated defense budget deliberations. Defense legislation has become burdened with restrictions on subjects ranging from contracting procedures to arms control, as the Congress has sought to manage the funding and execution of our programs at lower and lower levels. This situation has created budgetary chaos and disorder that is not conducive to making effective defense budget and program decisions and denies us the necessary management flexibility to get more defense out of available resources.

I had been encouraged by the budget summit agreement to believe that progress could be made to eliminate the congressional temptation to micromanage defense programs. However, the HASC report proposed 239 amendments. The addition of this large number of amendments endangers our chance to make progress toward stability and reliability in the budget process. I do not deny the congressional prerogatives to make such amendments. However, the large number of irrelevant issues addressed in these amendments inhibits prompt and decisive congressional review of our defense requests. I would hope that this committee would address this issue objectively and avoid the delays and vacillation caused by this micromanagement.

One specific area of concern has been our attempts to close or realign military installations to better meet our requirements. In recent years, these efforts have been adversely impacted by legal restrictions and funding problems. I know this is an important issue to the Congress, and we are not insensitive to the effects base closures have on local communities. In fact, there is much documentation that shows communities have actually benefitted from base closures. However, the primary consideration for decisions regarding the use of our facilities must be based on security needs and how best to provide for those needs in the face of declining resources. Last week I announced the establishment of a "Commission on Base Realignment and Closure." Former Senator Abe Ribicoff and former Congressman Jack Edwards have agreed to co-chair this commission. The primary objectives of the commission are to determine the best process and criteria for identifying bases to be closed or realigned and how to improve and best use the federal government incentive programs to overcome any negative impact of base closure. The commission will report its findings and recommendations for base closure and realignment to me by the end of this year. The legislation on base closure and realignment included in the SASC report, and being considered by the House, is crucial to the success of this endeavor.

Timely Congressional Action

The lack of prompt and decisive congressional review of Administration requests further hinders the effective management of defense resources. The process has become too time consuming. Congressional target dates are often missed, authorization bills are often enacted so late that they are concurrent with the appropriation bills rather than preceding them, and appropriation bills are rarely enacted before the beginning of the fiscal year. Defense appropriations for FY 1988 were not enacted until late December, and unfortunately, this situation is continuing in the current congressional review. Although the House and Senate Budget Committees have approved the FY 1989 national defense level that was set in the budget summit, the Congress missed its suspense date for a budget resolution by April 15.

INF and START

The achievement of effectively verifiable and stabilizing arms reduction agreements is our primary arms control goal. The INF agreement is a very important component of this priority and we urge the Congress to demonstrate its support with ratification of the treaty. Implementation of the INF Treaty requires costs totaling $171 million in FY 1988. These requirements include personnel and contract support costs for the inspection and escort teams at sites in the United States, basing countries, and the Soviet Union. They also include costs associated with destruction and elimination of missiles, launchers, and facilities. I strongly urge the Congress to approve the reprogramming actions we submitted on April 25 to fund these important requirements. The outyear requirements for INF Treaty implementation are being addressed in the current program review.

We are also seeking an agreement with the Soviets leading to deep, equitable, and effectively verifiable reductions in the number of strategic nuclear arms held by both sides. We have not identified any specific programs in the FY 1989 amended budget associated with START, but outyear requirements are being considered in the FY 1990/FY 1991 program review.

Support for NATO

The amended FY 1989 budget includes programs which reflect a commitment to NATO, especially to the implementation of those improvements relating to the 1983 Montebello Decision and the 1984 Conventional Defense Improvements program. Although most of these are not new initiatives, the signing of the INF treaty highlighted the importance of continuing these ongoing modernization efforts. To further these modernization efforts, we requested the Congress to lift current limitations on nuclear artillery rounds and remove restrictions on further development of ATACMs as a follow-on to LANCE. We also requested an increased level of funding for NATO Cooperative Programs, as we continue to expand our cooperative development efforts to redress significant deficiencies in our collective conventional defense posture.

We must continue efforts to investigate new technologies which will strengthen our capability to conduct a flexible conventional response. Toward this end, we have initiated the Competitive Strategies Initiative, a method of strategic thinking that evaluates our national defense strategy in terms of our long-range relations with the Soviet Union. The Competitive Strategies approach will allow us to respond to changes in the strategic environment in a way that makes the most effective use of our resources. Our initial Task Force focused on a mid-to high-intensity conflict in Europe, and the Task Force recommendations are being staffed now, with a view toward the best way to implement them.

Allied Burdensharing

In view of concerns about the federal deficit, many in the Congress have expressed their desire that foreign countries in which we have a large concentration of American military personnel should increase their share of the defense burden.

Our forces are deployed throughout the world in support of our policies to meet the global threat to our security. Maintaining forward-deployed forces in areas where we believe an attack would be most likely to occur is of great importance to us. Soviet-bloc forces could launch a major attack with limited warning in many areas, most notably Europe and Northeast Asia. It is no surprise therefore, that most of our overseas-deployed forces are located in Europe, Korea, the Philippines, and Japan, and naval forces are in waters adjoining those areas as well as in Southwest Asia. We maintain these forces at a high state of readiness to enhance their deterrent value, and to improve our chances of defeating an attack should deterrence fail. Withdrawing U.S. forces from Europe or the Pacific rim for reasons unrelated to national security would increase the risk to U.S. security interests in those regions, while, at the same time, reducing our ability to deal with them.

Nevertheless, we are not insensitive to the concern about the increased costs of deploying our forces overseas and the burdensharing issue. We take very seriously the importance that the sharing of roles, risks, and financial burdens has on improving allied defense capabilities. Therefore, we have formed a special DoD task force to address equitable burdensharing with our NATO allies and Japan. The goal of the task force is to examine the roles, risks, and responsibilities relating to the common defense and make recommendations on promoting a more equitable distribution among our allies. Deputy Secretary Taft is conducting initial visits to NATO and allied capitals to sensitize our allies to the significance of the problem, exchange views, and create a positive review of the burdensharing issue. Next, action will be taken to propose specific measures to promote equity. Specific measures and initiatives necessary to ensure efforts are maintained will be discussed in a follow-up trip. After that, we will prepare and forward a report to the Congress on the results of these efforts and establish an action plan for the future.

Our aim should be to work within our Alliances to encourage our partners to do more, rather than simply making an indictment against allies to justify our doing less. I welcome the expressions of support for our initiatives from members of this committee. If our efforts are going to be successful, we will need your continued support.

Conclusion

The priorities we have established to build our forces within the reduced levels of funding provided by the budget summit agreement are integral to our ability to maintain an overall balance in our defense programs. I urge the Congress to sustain these priorities. I also urge support for our revised defense topline. The early years of this Administration experienced much needed budget increases to restore the neglected and hollow defense force structure that existed in the 1970's; but this FY 1989 budget marks the fourth consecutive year of real decline in defense purchasing power. The Congress can stem this erosion by joining us in our efforts to create stability and predictability in defense funding by supporting biennial budgeting and approving the moderate, consistent growth in future defense budgets we are proposing.

CHAIRMAN, JOINT CHIEFS OF STAFF

STATEMENT OF GENERAL ROBERT T. HERRES, USAF

Chairman STENNIS. All right, we will have examination now by the membership.

General Herres, we are glad that you could be here. Did you want to say a very brief word right now?

General HERRES. Thank you, Mr. Chairman. I am honored to be here with the Secretary to represent Admiral Crowe, and I would like to add to the Secretary's comments our thoughts for your future and wish you the very best. You are held in high regard by Admiral Crowe and the Chiefs, and on their behalf I would like to thank you very much.

[The prepared statements of General Herres and Admiral Crowe follow:]

PREPARED STATEMENT OF GEN. ROBERT T. HERRES

U. S. AIR FORCE

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to testify as the Acting Chairman on the President's Budget for Fiscal Year 1989. Admiral Crowe requested that I submit a copy of his statement on the budget for insert into the Subcommittee's record. I recommend the Chairman's report in its entirety; it clearly focuses the many factors bearing upon this year's budget request. I will briefly address some of these.

SOVIET THREAT

Seldom has it been more important to understand continuities, changes, and uncertainties inside the Soviet Union. Continuities include a Communist Party determined to perpetuate itself; a Kremlin competing head-on with the United States for global power and influence; military spending accounting for an exceptionally high percentage of GNP; armed forces still poised for offensive operations on and around the Eurasian Continent; state-run industries producing vast quantities of military equipment; and an unbroken flow of arms to clients and surrogates in the Third World.

Change is most evident in a searching review of Soviet strengths and weaknesses by General Secretary Gorbachev. On the non-military domestic front, he finds backwardness, lethargy, and stagnation. Yet, no one knows whether or when Gorbachev will succeed with his uplifting efforts, as promised in glasnost and perestroika. Real progress seems to require much more -- a complete overhaul of the Soviet system. But that prospect is rather scary to Party leaders, regional functionaries, and entrenched bureaucrats.

Other unknowns surround Gorbachev's reference to military potential of "reasonable sufficiency" and content of the next Five-Year Plan, beginning in 1991. Concurrently, we are waiting to see how resources will be realigned as a result of the INF Treaty and any future arms reductions agreement. In this regard, no agreement -- not even a good one -- can prevent them from shifting resources from one military pocket to another.

Overall, great uncertainties surround Gorbachev's agenda for the future. What we have seen, however, suggests that the Communist Party will try to shield the Soviet military from the inevitable turmoil of social and economic reform. To have everything "up in the air" at once would be totally out of character.

NET ASSESSMENT

With respect to the strategic nuclear balance, our primary concern is to maintain parity with the Soviet Union. In and of itself, that's a major challenge because the Kremlin continues to finance a robust and forward-looking program to improve both strategic offensive and defensive forces. Our response is a sound strategic modernization program that will provide, when complete, an array of impressive capabilities. Without dwelling on the details, we must stay the course with this strategic modernization program -- or risk a less secure future.

On the maritime front, Soviet military doctrine aims to challenge U.S. access to Western Europe and East Asia. Combined air and naval arms will be used to achieve this sea denial objective. Most troubling at the moment is the new generation of Soviet submarines: improved propulsion and quieting coupled with missiles of greater stand-off range. The United States must move promptly to upgrade ASW capabilities.

Today, our strategic mobility forces, including amphibious lift for the Marines, are highly seasoned and versatile. Yet, we are severely challenged to match Soviet capabilities on the flanks of NATO and certain parts of Southwest Asia. To overcome the handicap of distance and time, we are moving toward a more robust mix of strategic airlift (C-5, C-141, and C-17), supported by the Civil Reserve Air Fleet.

Turning to regional assessments, no one can be comfortable with what is happening in Central America and the Caribbean. Major concerns include drugs entering the United States from the South and a heavily-armed Cuba and Nicaragua. Add to this the turmoil in Haiti, the shaky Arias peace plan for Central America, a highly unstable Panama, a nervous Honduras, and a reheated insurgency in El Salvador and you find a very unhealthy situation. More than anything else, peace and stability in the Caribbean requires a forward-looking and fully-integrated foreign aid program. Having visited Central America last October, I am convinced that relative small investments in economic and military assistance will pay off highly in the immediate future and over the long term.

The NATO/Warsaw Pact balance continues to be worrisome. NATO has never aimed to do more than defend, and if necessary, restore its territorial integrity. In contrast, the Soviet Union has always maintained the higher force ratios necessary for a deep thrust into NATO territory. As Lenin is known to have once said, "quantity has a quality all of its own." Concurrently, NATO is confronted with a persistent erosion of its qualitative edge -- often a product of member nations deferring or stretching out equipment replacement programs. To reverse this, the Alliance must move forward with the modernization of its theater nuclear forces and with conventional force improvements which had been set in motion before the INF Treaty. Otherwise, NATO could find itself without a credible deterrent or a viable defense.

In the Southwest Asia region, the eight-year war between Iran and Iraq continues in a stalemate of World War I proportions. Remarkably, non-belligerents have managed to keep the oil flowing at reasonable prices -- a tribute to protective forces in the region. At this point, however, no one knows when or how the Iraq-Iran war will end or what the postwar environment will require in terms of military presence. Suffice it to say, the importance of the Persian Gulf will not diminish.

In the Pacific, combined defense planning with Japan and South Korea, normal relations with China, and a partnership with the Philippines help to maintain a comfortable balance of power in the region. The USSR, however, is routinely increasing power projection capabilities in the Far East -- the steady build-up of air and naval forces, evolving access to bases in Vietnam, and a surging interest in the South Pacific. Pacific air defense is one of our major concerns, but certainly not the only one, in this immense, diverse, and dynamic region.

FY1989 DEFENSE BUDGET

Against this background, the Joint Chiefs of Staff continue to worry about erratic patterns in U.S. spending for defense: steady in the 1950s, surging in the 1960s (mainly to cover the cost of operations in Vietnam), sagging in the 1970s, surging again in the early 1980s, and sagging again in the late 1980s. Admiral Crowe refers to this process as "feast and famine." The end result is the same: unexpected military risks and unnecessary waste.

Turning to Fiscal Year 1989, the top-line of $299.5 billion for defense was set by the Budget Summit Agreement of last November. In turn, the defense budget has been carefully and tightly constructed to fit this pre-set commitment, with a careful interlocking of the constituent elements. As Admiral Crowe noted, it is imperative not only that the topline figure be honored but also that the structure of the submission remain basically intact.

In practice, all of the Services are moving toward a smaller force of high quality. In general, this smaller force must be structured for the future and be able to achieve better exchange ratios than we have today. In turn, these improvements are embedded in the next generation of military equipment, e.g., enhanced battlefield surveillance systems, a new family of fighting vehicles, advanced technology fighters and bombers, and naval combatants designed to keep pace with the evolving submarine threat.

Clearly, there are great risks if the Services sharply reduce force structure before these new capabilities become a reality. Risks also will increase if the United States simply defers force modernization programs while the Soviet Union continues to close the gap in deployed military technologies. In either case, we must maintain real readiness, not the kind achieved by stretching people, passing the cup on fuel, cannibalizing spare parts, or dipping into war reserve stocks. We went down that road in the 1970s and ended up with a near total breakdown.

All of these risks are predictable, and all are behind Secretary Carlucci's proposal that defense spending increase by a real two percent over the next five years, beginning in 1990. I join Admiral Crowe and the Joint Chiefs in strongly supporting this proposal.

STATEMENT BY ADMIRAL WILLIAM J. CROWE, JR., CHAIRMAN, JOINT CHIEFS OF STAFF

INTRODUCTION

Mr Chairman and members of the Committee: I welcome this opportunity to discuss America's military posture in connection with your hearings on the Fiscal Year 1989 budget.

NATIONAL INTERESTS

To begin, the President's Report on National Security Strategy, emphasizes a number of basic national interests:

- o Survival of the United States as a free and independent nation, with its fundamental values intact and its institutions and people secure;
- o A healthy and growing U.S. economy to provide opportunity for individual prosperity and a resource base for our national endeavors;
- o A stable and secure world, free of major threats to U.S. interests;
- o The growth of human freedom, democratic institutions, and free market economies throughout the world, linked by a fair and open international trading sytem; and
- o Healthy and vigorous alliance relationships.

A forward-looking and fully-integrated national strategy, of course, must do more than focus on fundamental interests. From time to time, governments must take stock of continuities, changes, and challenges in the world around them.

GLOBAL REVIEW

In the broad sweep, continuities include a Communist Party of the Soviet Union determined to compete head-on with the U.S. for global power and influence; a vast and modern Soviet military apparatus designed for offensive operations; industrial European allies of the United States living under the shadow of Soviet military power; irreversible interdependencies on the global economic front; chronic instabilities in the Third World; and an exponential pace of discoveries in science and technology.

From a U.S. military perspective, the continuities include: a policy which emphasizes the deterrence of war; a network of collective security arrangements buttressed by a forward-deployment posture and access to overseas bases; combined defense planning with allies; and a willingness to pursue effective and verifiable arms reduction agreements.

Changes are most evident in the global balance of economic power--the industrial and financial resurgence of Western Europe, Japan, and other Pacific Rim countries; the momentum of agricultural and industrial development in China and India; an external debt crisis sweeping across Eastern Europe and parts of Latin America; a large national debt looming over the United States; and stifling inefficiencies in the Soviet economy.

Concurrently, every major power is standing on the threshold of nothing less than another industrial revolution--essentially new technologies, materials (superconductive, high temperature, and low observable), manufacturing processes, machine tools, and products which now exist largely on paper. In the long term, our ability to remain at the forefront of this competition will have a major bearing on our national defense potential and our ability to work for peace and stability in the world at large.

The immediate and very difficult challenge is to strike a course which both nourishes our economy and offers a lesser, but under the circumstances reasonable, level of security. This challenge, of course, inspired the Budget Summit Agreement which has shaped this year's budget request. At the same time, it must be recognized that such a decision mortgages our military future to some extent and will ultimately involve increased military risks. I pointed out last year in my opening statement that our military forces have in peacetime historically operated on the margin. This is appropriate for a democracy, but it means that seemingly small reductions in our peacetime capability may result in large increases in risk. It is imperative that our citizenry understand these facts of life.

SOVIET THREAT

Throughout, the Soviet Union remains the dominant threat to our national security and to a more secure and stable international environment. World power is still the name of the game in the Kremlin, and Communist Party leaders will do what is necessary to play in that game. For instance, the Kremlin remains as firmly committed as ever to a long-term military competition with the West and to the support of so-called "wars of national liberation" in the Third World.

As a reminder of this policy, the USSR over the last two decades has built the world's largest military force (both nuclear and conventional), supported by a huge arms production base and a steady research and development program. Power projection capabilities are increasing at a steady pace not only on and around the Eurasian Continent but also in space. The Free World has accommodated to the Soviet penchant for numbers, but even more worrisome we are now seeing our traditional qualitative edge erode. I won't dwell on specifics since you are thoroughly familiar with the depth and breadth of the Kremlin's impressive military investment.

This is not to say that there are no flaws in the Soviet machine. There are. To cite some of the more prominent, personnel problems are pervasive. Many units are cadre formations which in war would be filled out by personnel far less competent than today's front-line units. Conscripts serve only two to three years and their training leaves a great deal to be desired. Technical tasks are in the main performed by regular officers and the lack of initiative at lower levels is a prime concern of Soviet leadership. This situation is exacerbated by the lack of a regular core of career NCO's and some persistent ethnic problems. Combine these personnel problems with training deficiencies, logistic distribution problems, unreliability of equipment, poor maintenance, highly centralized command, and we find serious vulnerabilities which plague the Soviet military.

On a more fundamental level, there may be even more important forces at work. General Secretary Gorbachev and his Party colleagues seem to have concluded that the Soviet Union cannot remain a first-rate world power with a second-rate industry. Unquestionably, he wants to reshape the economy; it is not clear whether he will succeed.

On the military front, Gorbachev reportedly has suggested that Soviet General Staff move from a war-winning posture to something called "reasonable sufficiency." We still do not know what that means in terms of military spending or force structure. We do know that the Soviet military and the Russian people have little stomach for unilateral disarmament, and we have yet to see any tangible cutbacks in military spending or production. Thus, if Gorbachev is going to reduce the burden of military expenditures, he must do so in the broader context of his arms control agenda.

Certainly, the successfully negotiated INF Treaty demonstrates the type of opportunities that the arms control dialogue offers. Asymmetrical reductions as achieved in this Treaty can help redress imbalances adverse to the Free World. But no arms agreement can prevent the Soviets from shifting resources from one military pocket to another. Whatever the arrangements, the Soviets will modernize and readjust their forces to get the most out of their investment. At least for the foreseeable future the West must do likewise. It would be misleading at this juncture to view INF and ultimately START as money-saving exercises.

Looking ahead, it may be possible to develop a more sustainable relationship with the Soviet Union. Much depends, however, upon U.S. and allied resolve to render Soviet military power less coercive and less dangerous over the long haul. As Secretary Shultz recently observed, we must be prepared to deal with the best--and the worst--of Soviet behavior.

As we move into the future, the President's Bipartisan Commission on Integrated Long-Term Strategy also has offered some sound advice on how to deal with the Soviet threat:

o We must maintain a mix of survivable strategic offensive arms and command and control capabilities that can, in all circumstances, respond to and thus deter a massive nuclear attack intended to eliminate our nuclear forces and other targets.

o To help defend our allies and to defend our interests abroad, we cannot rely on threats expected to provoke our own annihilation if carried out. In peacetime, a strategy based on such threats would undermine support for national defense. In a crisis, reliance on such threats could fail catastrophically for lack of public support.

NET ASSESSMENT

Last year I summarized my own net assessment of U.S. allied military capabilities. This year, as a result of the Goldwater-Nichols Act, the Joint Staff has completed its first in-depth net assessment. I should stress that it will be several years before this process is refined and yields the comprehensive results we are seeking. Nonetheless, I have drawn heavily on this joint effort for my capsulized assessment this year.

SOVIET ARMS PRODUCTION

Overall, industrial potential clearly favors the U.S. and its allies as compared with the Warsaw Pact. Today, for example, our gross national product is nearly twice that of the Soviet Union. Similarly, NATO as a whole continues to outpace the Warsaw Pact by a factor of 2 to 1 (and this ignores Japan's GNP, now on a par with the USSR).

The Kremlin, however, continues to stress armaments at the expense of all other sectors of the economy. As a result, one of the more dismal aspects about the East-West military balance is the sheer amount of combat equipment rolling off of Soviet assembly lines (e.g., some 6,000 tanks and other armored vehicles, 2300 artillery pieces, 650 fighter/bombers, 500 helicopters, and 8 submarines annually). The Soviets can mass produce and replace military equipment on a scale very difficult for the U.S. and its industrial allies to match. Moreover, each new generation of Soviet weaponry is more capable and more sophisticated than the last.

As implied earlier, however, there is an internal downside to heavy Soviet military production. Concurrently, the Soviet Union is struggling to overcome weaknesses endemic to its state-run system: the difficulties of running a "command" economy with no measure of profit and loss, depletion of its European mineral base, challenges of developing alternative resources in Siberia, lack of discipline among workers, management shortcomings revealed in the Chernobyl disaster, and a host of problems keeping political and economic relations with Eastern Europe on an even keel. Their intense arms efforts exacerbate these problems and at a minimum impede their correction. This fact alone may be behind some of the initiatives we are seeing in the arms control arena.

In essence, it is far from clear that the Soviets will be able to continue their present practices, achieve their long-term industrial goals, and outfit their entire military force with front-line equipment now coming off their assembly lines--or that they will be able to do so without trimming back on force structure. Suffice it to say, this remains a major uncertainty for them and for us.

STRATEGIC NUCLEAR FORCES

With respect to the strategic balance, our primary concern is to maintain strategic parity with the Soviet Union. In and of itself, that's a major challenge because the Kremlin continues to finance a robust and forward-looking program to improve both strategic offensive and defensive forces.

Overall, the USSR continues to maintain superiority in ICBMs and overall megatonnage. They are steadily improving ICBM survivability with both hardened silos and mobile launchers. With extensive land, roadways, and railways under constant state control, ICBM mobility is an area where they can strive for a competitive advantage over the United States. Our PEACEKEEPER missiles, however, still confront them with a formidible hard-target kill capability--which can be made rail-mobile, if we so choose.

With respect to ballistic missile submarines, the Soviets continue to find themselves at a disadvantage. They remain behind us in missile-launching capability, and they continue to worry about our superior ASW capabilities. As a consequence, the Russian Navy is deploying the bulk of its SSBNs near home waters where its own ASW forces can offer more protection and where permanent and marginal ice zones can complicate opposing ASW operations.

The main difference, of course, is the stealth, endurance, and firepower of our nuclear attack submarines. We can, if we choose to do so, hold Soviet SSBNs at risk. In contrast, the Soviet Navy has never developed an open ocean ASW capability sufficient to challenge our POSEIDON and TRIDENT class SSBNs. Put simply, our ballistic missile submarine forces is less vulnerable than the Soviets.

Moreover, we have a more effective bomber force still capable of penetrating the USSR. The President's strategic modernization program if fully implemented--MX, D-5, B-1, ATB, ACM, and C3 initiatives--will prepare us for the long-haul, keep pace with Soviet improvements offensively, and correct our more-glaring deficiencies.

On the other hand, Moscow continues to outpace us in the construction and fielding of strategic defensive systems: hardened command posts, the Moscow-centered ABM system, an (illegal) phased-array radar extraneous to the Moscow system, a robust capability to replace satellites, and the world's only operational anti-satellite weapons systems.

With all of this, however, the Kremlin seems genuinely concerned about our Strategic Defense Initiative. It's not what we have today but what we might have tomorrow that concerns them most. In my view, we would be wise to nourish that concern.

Thus, all things considered, I am relatively confident that strategic forces and programs which are being proposed will continue to deter a direct nuclear attack on the U.S. and our allies. But I must reemphasize, for that judgment to continue to be solid, it is imperative to stay the course with our strategic modernization programs.

MARITIME DEFENSE

On the maritime front, the Soviets operate the largest Navy in the world, tailored primarily for wartime sea denial missions, i.e., about 2000 kilometers out from the Soviet homeland. At the outer edge of this zone, they are depending primarily on their nuclear attack submarines and their long range maritime strike aircraft (BACKFIRES). Additionally, we can expect some of these submarines to deploy further afield for anti-SLOC, anti-SSBN, or anti-carrier operations.

A significant challenge on the high seas is growing out of the Soviets' success in:

- o Deploying very advanced anti-ship missiles which are constantly improving;

o Adding to their over-the-horizon targeting capability by exploiting space;

o Improving submarine propulsion (speed and quietness) and metallurgy (depth); and

o Increasing ASW capabilities.

Throughout the immediate postwar period, the U.S. enjoyed undisputed mastery of the seas, but the Kremlin was not easily discouraged. By the late 1970's, the Russian Navy had made tremendous inroads into our margin of superiority and the trends were even more alarming. We have now reversed these curves--particularly in overall shipbuilding--but the Soviets are on the high seas to stay.

With a less than 600 ship Navy, we are hard-pressed to challenge Soviet sea denial zones and maintain essential communications lines to allies in Europe and Asia. Clearly, the key to success lies in the full integration of capabilities resident in our carrier battle groups, nuclear attack submarines, maritime patrol aircraft, surface action groups and replenishment units--plus strong support from the allies in terms of choke point control, mine clearance, land-based tactical aircraft, and especially naval escorts. If all of these forces can be brought into play--that's a big if--and we can avoid future force structure cuts, the odds are that the U.S. and its allies can gain ultimate control of the vital sea areas and that the U.S. can proceed with the necessary reinforcement and resupply of forward-deployed forces. I must reemphasize, however, the margins in the calculations are thin.

In essence, we cannot afford to relinquish naval superiority to the Soviets. To do so would jeopardize our coalitions, economic and trade dependencies (which are now necessary in war as well as peace), and capabilities to project our power overseas. Our ability to prevail at sea is a cornerstone of our overall strategy.

STRATEGIC MOBILITY

Today, the Soviet Union is our only real competitor in the business of strategic mobility and, it is likely to remain so for the indefinite future.

Where they can achieve direct, short-haul access, as on the flanks of NATO and parts of Southwest Asia, the Soviets maintain a strategic mobility advantage over the U.S. Yet, that is where we may very well be taxed to move ground and air reinforcments rapidly in support of U.S. and allied security interests. Our aim, of course, is to meet this challenge with a robust mix of strategic airlift (C-5, C-141, and C-17), supported by the Civil Reserve Air Fleet.

Outside the Warsaw Pact area (including Soviet territory) and Afghanistan, the USSR has never staged a large-scale strategic mobility exercise, i.e, involving the movement of thousands of troops and supporting combat equipment by airlift and sealift over long distances. Even if they could muster the necessary airlift, it is far from clear that they could achieve the precise coordination and timing necessary to carry out an operation of this kind smoothly and quickly.

In contrast, our Transportation Command has years of global mobility experience as a result of its day-to-day logistics support of our forward deployed forces and its participation in our worldwide exercise schedule--plus an established routine of working with other nations to acquire the necessary staging rights. Thus, in terms of both assets and experience, I am convinced that Soviet lift capability is outmatched.

One area of concern is a general decline in the number of merchant ships suitable and available for the defense of NATO Europe, e.g., capable of lifting heavy equipment, military supplies and troops. In the meantime, many of the allies are shifting flags or crews to other nationalities.

On balance, though, we have made impressive strides with our strategic mobility forces. Given the world we live in and the nature of our commitments, we must continue to do so. The main question in using such forces is whether we will move soon enough in a crisis to take full advantage of the edge our capabilities give us.

SPECIAL OPERATIONS FORCES

It is very difficult to compare Soviet "SPETSNAZ" directly with Special Operations Forces (SOF) of the United States. Moreover, the Soviets have been rather cautious about employing their own SPETSNAZ against U.S. interests. It is much easier for Moscow to funnel support for subversion and terrorism through surrogates in Eastern Europe, the Middle East, Africa, and Latin America--and then deny responsibility for the whole business. When circumstances dictate, however, the Kremlin finds SPETSNAZ forces well suited for military purposes, for instance in Czechoslovakia and Afghanistan.

In the meantime, we are continuing to train and equip Special Operations forces for global missions. Some of these tasks will be in direct support of Commanders of Unified Commands. Others of a time-urgent or politically-charged nature will be controlled from Washington.

The SOCOM headquarters is well established and now making its influence felt throughout the special operations community. General Lindsay has established a close working relationship with all of the unified commands and has launched an ambitious program of exercises to test the quality of his training and SPECOPS planning.

In Secretary Carlucci's Annual Report to Congress, you will find a full treatment of efforts to enhance SOF preparedness. Suffice it to say, the force is receiving a great deal of top level attention while continuing to demonstrate its unique value in both low intensity conflict and conventional conflict.

WESTERN HEMISPHERE

Turning to regional assessments, security of the United States--and approaches thereto--ranks number one in our national security priorities. In the neighboring Caribbean Basin, U.S. goals have remained remarkably constant over time: i.e., promote democracy and free market forces, develop local economies, and eliminate widespread poverty. Yet, no one can be comfortable with what has happened in that region since the end of World War II.

Granted, we find a number of friendly governments achieving or moving toward pluralism. But we also see a heavily-armed Cuba and Nicaragua constantly working to derail free and democratic processes in the region--joined at times by groups engaged in the illegal distribution of drugs. Overall, the military balance in Central America is patently adverse for the smaller democracies--and it is likely to remain so for the foreseeable future.

Given commitments in other parts of the world, the U.S. relies heavily on military assistance programs to shore up peace and stability on its southern flank. In and of itself, those programs can make a crucial difference to people reaching not only for social progress, but also a modicum of national security and personal safety.

In a practical sense, these programs serve to enhance regional intelligence networks, extend the in-country reach of local armed forces, improve the effectiveness of these forces through training and exercises, and encourage the growth of sub-regional collective security arrangements. Further, virtually every dollar funded for Central American military assistance programs (equipment and training) remains in the United States--thus serving to boost both our security and our economy.

To be frank, I am concerned about the military situation on our southern flank. Termination of military aid to the Contras is going to leave the Sandinistas of Nicaragua with a much freer hand to pursue their own political agenda and, in my view, work against pluralism in the country and peace in the region as a whole. Concurrently, Congress has severely constrained the U.S. military assistance program by reducing funds for the program as a whole and skewing priorities to other parts of the world. Overall, these decisions are bound to raise the level of risks in the region not only for America but also for people who look to us for security support. It is not a healthy situation.

NATO/WARSAW PACT

Ever since formation of the North Atlantic Alliance, the pace and effort required by NATO to maintain a credible deterrent and viable defense have been driven by a steady expansion of Soviet capabilities.

Moscow has always emphasized numbers, ground forces, and frequent modernization of weapons systems. With the passing of time Warsaw Pact superiority in conventional units and weapons steadily grew and today it leads NATO in virtually every category by ratios of 1.5 to 6 to 1. Moreover, our initial qualitative edges in some ground systems have eroded--for example in anti-armor missiles, surface-to-air missiles and artillery. This progress has been matched by the creation of an impressive Soviet air-order-of-battle as well--again outstripping NATO numbers.

The most dramatic changes, however, have taken place in the Soviet nuclear stance. Moscow first gained strategic parity with the U.S. and then proceeded to surpass Washington's lead in theater and battlefield nuclear systems. These developments were complemented by the deployment of a significant chemical capability.

From the outset, it became clear that the U.S. and its allies could not match Warsaw Pact numerical advantages in forces and weapons systems. Instead, the coalition reacted by adopting a "defensive" philosophy which aimed to keep the Soviet level of "uncertainty" high enough that the Kremlin could not have the desired confidence of achieving its objectives. At first, the U.S. nuclear advantage buttressed such a doctrine. But as increasing numbers of Soviet nuclear weapons appeared, the Alliance turned to a "flexible response" strategy with emphasis on quality forces and sophisticated weaponry across the spectrum from conventional, to theater nuclear weapons, to strategic forces.

As a consequence of these policies, conventional force modernization has for two decades been a significant theme in the NATO defense planning process. In the 1970's, for example, much of the groundwork was laid for a new generation of tanks and fighting vehicles, tactical aircraft, anti-tank missiles, and smart munitions, coupled with greater standardization and interoperability and better integration of combined arms. The U.S. has been in the forefront of this effort--particularly over the last 8 or 9 years. As a result, our forces in Europe have steadily improved in infrastructure, equipment, sustainability, combined arms training, personnel, and night-fighting capability. In general, Soviet military power today is less coercive and less dangerous than it might have been.

The NATO qualitative edge in tactical aviation while somewhat diminished has not disappeared. It is not clear, however, what this will mean against the numerical advantages of the Soviet air forces (offensive and defensive) which run in the neighborhood of 2:1 to 3:1. I have complete confidence that the quality of our pilots and weapon systems would permit us to exact high exchange ratios but overcoming the impressive numbers of Russian medium-range bombers, fighter bombers, interceptors, and surface-to-air weapon systems will be a sporty course. The outcome is difficult to predict.

We will, of course, have the support of our naval forces in Europe and, as indicated earlier, the Soviets have yet to surpass our lead at sea.

Time and space doesn't permit me to detail all of the factors that our warfighting analyses take into account. I can assure you these assessments go behind the numbers and attempt to evaluate a wide variety of inputs including Soviet personnel weaknesses, Moscow's reliance on satellite troops, logistics demands, intangibles such as morale, etc. The bottom line is that NATO capabilities are still deterring in Europe. Surely the prospect of having to fight 16 nations at once remains a sobering one for the Kremlin. But, put candidly, both the level of deterrence and the nuclear threshold remain too low. The Chiefs have for a number of years consistently testified to that effect.

If for some reason war breaks out, maintaining a successful forward defense will be questionable. Our analysis argues strongly that Soviet conventional ground forces will be extremely difficult--if not impossible--to contain. Especially worrisome is a pronounced Soviet advantage in chemical warfare capabilities. Even if they could be defeated--and this is very controversial--it would be at a prohibitive cost in lives, treasure, territory, and stability.

It is imperative for the Alliance to preserve the gains made in the 1980s and move forward with programs which will promote a high degree of uncertainty in the minds of Kremlin planners. In this regard, the INF Treaty will exact a favorable exchange ratio in theater nuclear weapons. That Treaty stands on its own merits and should be ratified. It will not, however, correct the deficiencies I refer to. The level of risk is too great today and, unless some other counter-actions are taken, it will still be too high after the INF Treaty is implemented.

The fundamental challenge is to disrupt the Soviet timetable for overrunning NATO territory. As indicated during my testimony on the INF Treaty, that thought is at the center of DOD's work on long-term competitive strategies. The proposed solution would enhance and supplement the cutting edge of NATO's existing forces with terrain barriers, a new generation of highly-accurate stand-off missiles, and improved battlefield and rear area surveillance systems.

Concurrently, it is essential for the NATO members to correct other deficiencies identified in the study of Conventional Defense Improvements and, in keeping with the Montebello decisions, move forward with the modernization of theater nuclear forces allowed by the INF Treaty.

SOUTHWEST ASIA

In the Southwest Asia region, the military situation remains highly dynamic and uncertain. We still do not know what will come out of the eight-year war between Iraq and Iran and, standing on the sidelines, are 32 Soviet divisions facing Turkey and Iran, plus 115,000 Soviet troops still occupying Afghanistan.

Within the Persian Gulf itself, Iran has long-term advantages over the other Gulf states as a result of a large population, diverse resources (not limited to oil), a long coastline, and a network of air and naval bases. As we have seen in the Iraq-Iran war, the radical Islamic fundamentalist regime is exploiting these strengths. If the Iranian regime was ever to conclude the current hostilities on favorable terms and move toward internal stability, it could easily become a genuine threat to its Gulf neighbors.

The United States interests revolve around petroleum and maintaining its traditionally close relationships with the western-oriented oil bearing states in the Gulf. Those nations will be important players in the Free World economy for the foreseeable future and U.S. influence in the region is vital to our long-term economic health. It is these very considerations which inspired today's operations in the Persian Gulf.

Our current deployments in the region have demonstrated that we have sufficiently mobile naval and air strength to deal with the most likely contingencies in that part of the world and to protect our interests where only Gulf states are involved.

In the unlikely event of a Soviet thrust to the Gulf oil facilities, this would precipitate an international crisis of the first order and in my view involve not only the entire Free World but quickly raise the level of risk in the other areas where we have even more basic interests. The response would of necessity have to be a multilateral one.

PACIFIC DEFENSE

My assessment of the Pacific region has changed little since last year. Until the late 1960's, Moscow paid little attention to the defense of its eastern provinces and its strength in the Western Pacific. With the PRC's breakaway from the Soviet orbit and the burgeoning affluence of East Asia, the Kremlin began to build up its forces in the region, not by drawing down in Western Europe, but by commissioning new units and increasing defense production to equip and support them.

Overall, the balance on the Chinese border favors the Russians in every way except manpower, and as yet the Chinese have been unable to turn things around--preferring to put their current priorities elsewhere. The one exception is Chinese nuclear capability which provides "minimal deterrence" of a sort.

Nevertheless, China looms large in the Kremlin's calculations--witness the gradual buildup from 20 to 50 Soviet divisions on the Chinese border.

On the Korean Peninsula, Pyongyang has made a determined effort to outstrip the South's forces. However, as long as North Korea is not directly assisted by the Soviet Union, United States augmentation--especially our air and naval power--should make the difference in deterring or, if necessary, defeating the North. The fact remains, however, the Peninsula is an unstable focal point with a threat of war always lingering on the horizon.

In turn, the defense of Japan and the Republic of Korea and the wartime stance of China depend heavily upon the military role and posture of U.S. forces in the Western Pacific. We have significant leverage against Soviet naval and air forces in the region which both reduces the threat to our sea lines of communication and constrains the Kremlin's ability to accomplish its strategic goals in the Far East.

What happens in the East Asia and Pacific region also has major implications for NATO, in that a faltering defense by the U.S., Japan, or China could enable the Soviets to divert substantial air and ground forces to the European theater.

Generally, political relationships in this region work in our favor. It is clear that PRC forces tie down substantial Soviet ground and air deployments in the region and that Beijing puts considerable stock in U.S. power deployed in the region. In a similar vein, Japan is a pillar of U.S. strategy in the Pacific. Without Japanese cooperation, it would be difficult to bottle up the Russian fleet, augment South Korea, and find sufficient bases to support continuing operations against the Soviets. Likewise, the health of the U.S.-Philippine relationship, politically and militarily, impacts heavily on the regional balance. Obviously, the firmness of U.S. alliances will rest to a great degree on our ability to successfully confront the Soviets in the region and, in the event of war, to keep open our sea lines of communication to the Western Pacific.

Today, I judge the posture of U.S. and allied forces in the Pacific sufficient to deter the Soviets from a major attack in that theater and, if deterrence fails, prevent them from achieving their military objectives. The Republic of Korea--

with Washington's support--is similarly equipped to deal effectively with any threat from the North that does not involve either the USSR or PRC. I am inclined to believe that any U.S.-Soviet confrontation in the Pacific would take its lead from Western Europe or elsewhere.

Looking ahead, however, long term deterrence in the Pacific will depend heavily on a general upgrade of regional air defenses, (from Alaska through the Korean Peninsula), the introduction of long range interceptors and attack aircraft, and C3I which can optimize employment of U.S. and allied tactical air forces.

SUMMARY

In summary, it is clear that the investments made in the last few years have materially improved the foregoing net assessment from the U.S. standpoint. It is equally obvious that the picture is a dynamic one, that the Soviets are working diligently to improve their position across the board, and that there are still a number of serious gaps in our own posture. On balance, we need a number of years' growth before we can face the future with confidence--the kind of confidence that befits the leader of the free world.

FY1989 DEFENSE BUDGET

Now to the defense budget. In real terms after inflation, Congressional appropriations peaked at $286 billion in FY1985 and then declined by 10% through FY1988. In keeping with the Budget Summit Agreement of last November, the President is requesting $299.5 billion in FY1989.

The Chiefs and, to an unprecedented degree, the CINC's participated in the formulation of the budget and, while it is by no means risk-free, they are satisfied that, on balance, appropriate compromises and trade-offs have been struck at the resource level which has been set by the Budget Summit.

It should be noted that this budget has been carefully and tightly constructed to fit within a firm pre-set commitment and that there is a careful interlocking of the constituent elements. It is imperative that the topline figure be honored and that the structure of the submission be kept basically intact. The budget elects a slightly smaller force in order to protect quality throughout and strives to protect our ability to fulfill alliance commitments.

Its main priorities, as set forth by Secretary Carlucci, are people, readiness, and efficient acquisition. The budget is faithful to those goals. Secretary Carlucci's statement has addressed each of these areas in detail. Consequently, I will only mention some of the more significant items.

BUDGET CONTENT

The most precious assets the Services have are people--trained and skilled people. In times of stringency they become even more important, because we traditionally depend on our personnel to compensate for drawdowns. You will note that, throughout, the proposed budget protects quality-of-life items, military training facilities, combat exercises, and readiness items (e.g. flight and steaming hours)--all of which directly affect morale and retention curves.

By any common sense measure, today's armed forces are sound and motivated. In fact, everyday performance, spirit and training are the best I have witnessed in over forty years of service. If necessary, we can drawdown force structure but the Chiefs are determined not to let the "quality" of the remaining units deteriorate. Never again do we want to return to the "hollow forces" of the 1970's.

With respect to military capabilities, this budget protects those which only the U.S. can provide for itself and for allies who depend upon us, i.e., a secure nuclear deterrent; maritime superiority (especially ASW capability); strategic mobility for

U.S. ground, air, and naval forces; unique skills and equipment required by special operations forces; and associated command, control, and communications capabilities.

Additionally, the FY1989 budget was structured to:

o Provide a 4.3 percent pay raise for our military personnel effective 1 January 1989;

o Maintain our defense industrial base at efficient levels of production for essential systems, while continuing to build-up stocks of force-multiplier munitions;

o Sustain spare parts and low-technology munitions backing U.S. formations at about current levels. We will not be surging substantially ahead of allies in Europe and Asia;

o Support a 2.4 percent real growth over FY1988 in operations and maintenance, keyed to operational tempo improvements and increased depot maintenance efforts;

o Keep pace with mission essential and quality-of-life military construction projects; and

o Procure hardware and continue R&D programs supportive of NATO conventional and theater-nuclear force improvements, i.e. endorsed by the Montebello agreement and permitted under the INF Treaty.

In order to protect these capabilities, we were forced to cut back in a number of ways.

Conventional Forces

With respect to conventional force structure, virtually all of the reductions will occur in our CONUS-based strategic reserve. We were led to this decision by two factors. First, it is the sense of Congress that we should try to maintain permanently-stationed forces in Europe at current levels. Second, Secretary Carlucci directed that the Services consider a smaller higher quality force. Most of the units with obsolete and hard-to-maintain equipment are located in the United States, not in Western Europe or Northeast Asia.

As a result, the U.S. strategic reserve will be reduced by:

o Some 35,917 active duty military personnel, and 30,884 civilian personnel from FY1987 levels;

o The equivalent of 3 Air Force Tactical Fighter Wings by 1991;

o An Army infantry brigade plus two infantry battalions and 450 older helicopters; and

o Sixteen Navy frigates and 1 carrier air wing.

Additionally, the procurement of conventional military equipment has been cut back by 16% compared with the original budget for FY1989. I will not dwell on the specific program adjustments since they are covered thoroughly in Secretary Carlucci's statement.

Overall, these cost-avoidance measures will have only limited impact on our forward defense posture in Europe and Asia. The industrial allies must understand, however, that our strategic reserve of conventional forces is going down not up and, in turn, become less dependent upon that reserve in their own defense planning.

Strategic and Space Programs

With respect to strategic and space programs, you will find that:

o Procurement of the PEACEKEEPER ICBM has been reduced from 21 to 12 missiles, while funds have been earmarked for development of a rail-mobile version;

o The Small-ICBM is maintained as a research and development program as opposed to accelerated deployment;

o Planned funding for the Strategic Defense Initiative has been cut by 28%;

o A high priority was placed on sufficient expendable launch vehicles (TITAN IV) to support satellite deployment requirements; and o The ASAT program has been terminated.

On balance, the budget preserves options to deploy land-mobile missiles and ensures that we will maintain a space-launch capability sufficient to support our peacetime military requirements. It has, however, reduced our investment in some programs which could provide a better balance between strategic offensive and defensive capabilities and provide important insurance options for the future.

RISK ASSESSMENT

With respect to risks, the FY1989 budget recognizes that a coalition strategy has become more--not less--important to the United States. Similarly, it was structured to preserve and optimize U.S. contributions to the collective security of NATO Europe and our allies in Asia. We are not well positioned, however, to fill the gaps if, for one reason or another, some of the allies decide to reduce defense spending levels, shed defense commitments, or trim back on conventional force improvements.

Four years of negative growth in U.S. spending for defense is just beginning to play out in terms of reduced military capabilities. Simply put, this year's budget manages to limit short-term risks by relying on yesterday's programs and nourishing some of our more promising R&D efforts (SSN-21, ATA, ATB, ATF, FAAD, etc.). We cannot, however, begin to field these new systems--or avoid further precipitous cuts in force structure--unless Congress provides the necessary resources.

In essence, it is important to understand that this is only the beginning of greater downstream risks in the defense planning and programming process. As others have observed, several years of negative growth in defense spending inevitably will lead to dangerously reduced capabilities and force structure. We should learn from our history. Four times in the last 100 years we cut back precipitously in peacetime and then entered major conflict dangerously unprepared. In each instance we paid a needlessly high cost in treasure, lives, and stability.

Of particular concern is the impact of cost-avoidance measures on our people. We are not cutting back on commitments. Yet we are asking our military personnel to take up the slack resulting from modest but nonetheless real cuts in force structure. Congress can do a great deal to ease this transition by ensuring that our military personnel remain confident in laws governing military compensation, including the benefits of active duty and the integrity of our military retirement system.

DOD REORGANIZATION ACT OF 1986

Before wrapping up my statement, Mr. Chairman, a few words are in order about the DOD Reorganization Act of 1986.

As a result of the Act, I am much better positioned to solicit, integrate, and weigh views of the Joint Chiefs of Staff, Commanders of the Unified and Specified Commands, and Directors of the Defense Agencies--and to guide work of the Joint Staff. Further, I am most encouraged with the quality of personnel assigned to the Joint Staff and the support I am receiving on some very complex and thorny political, military, and operational issues. Concurrently, real progress has been made in the area of resource analyses and net assessments. Overall, we are steadily improving our ability to integrate defense resources and warfighting capabilities.

Additionally, we are striving to achieve excellence in joint professional military education at the National Defense University and at Service Colleges. As the academic and accrediting process evolves, I am confident that we will do so.

Of immediate concern is Title IV as it pertains to officer personnel management. It is becoming increasingly clear that joint tour lengths mandated by Title IV will work against the balanced officer experience we seek and need in joint command and staff billets. Too little operational experience can be just as bad as too little joint experience. Thus, we will again be proposing to reduce the minimum joint tour length for 0-6 officers and below from 3 1/2 to 3 years and for general/flag officers from 3 to 2 years. I cannot overemphasize the importance of this request, if we are to maintain healthy personnel structures in the four services.

Additionally, we are bumping against very compressed time lines in the preparation and assignment of officers to some 4500 important billets requiring joint specialty officers or nominees for the specialty. As the situation now stands, we face a surge of shorter than planned tours in non-joint positions, an adverse rippling effect throughout our officer manpower structure, and higher personnel relocation costs in a fiscally-constrained environment. Thus, we will be proposing that the transition period for Title IV be extended from 1 October 1988 to 1 October 1989.

The foregoing changes to Title IV would be in the best interests of officers seeking to become joint duty specialists, of our combatant commands, and of our armed forces in general.

CONCLUSIONS

To conclude, it is clear that investments made in the early eighties have from our perspective improved the global military balance. However, the Soviets have not slackened their efforts and the threat remains an imposing one. The fact that we still have serious gaps in our own posture combined with 10% negative growth in security appropriations since 1985 will inevitably push the level of risk higher. If this trend continues we will be forced not only toward further drawdowns in force structure but also cutbacks in quality which this budget has worked hard to avoid. In that event many of the gains we have made in the 1980's would unravel and the risk would escalate precipitously.

Shaping a FY1989 budget constrained to no real growth proved to be a challenge for everyone in the Department of Defense. We are depending heavily on Congress to approve the overall shape and content of this budget. Substantial changes in the fundamentals or even at the margin may very well weaken the entire submission.

We have for this one year provided for short-term concerns, but put aside the challenges and cost of preparing for long-term military competition with the Soviet Union. Believe me the race will not go away just because we would prefer to save money. We are engaged in a security marathon and it would be folly to conclude otherwise. Thus, the Joint Chiefs of Staff strongly concur with Secretary Carlucci's conclusion that we should aim for 2% real growth in the biennial FY1990-91 budget submission.

Chairman STENNIS. All right. Well, I want to keep this thing in balance. You gentlemen have not been called on yet on the minority. Did you want to ask questions now, either one of you?

Senator RUDMAN. Well, Mr. Chairman, I do have several questions, but I am perfectly happy to proceed in the normal course. I intend to spend some time here. My colleague Senator D'Amato might have something.

Chairman STENNIS. Did you have something in mind you wanted to ask now?

Senator D'AMATO. Well, Mr. Chairman, thank you. In the interest of time I would like to submit my statement for the record as if read in its entirety, and just refer to one part of it, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF HON. ALFONSE D'AMATO

U.S. SENATOR FROM NEW YORK

Mr. Chairman, I welcome the Secretary of Defense, Mr. Frank Carlucci to this hearing.

The revised fiscal year 1989 budget for our Armed Services reflects the diminished priority being given to our national defense. Because of budgetary concerns, funding for defense has decreased in real terms since fiscal year 1986. Although reducing the federal deficit is a major goal, it must not be accomplished at the expense of our commitment to a free and stable world. Events in the Persian Gulf and Panama remind us that defense budgets are rarely shaped by domestic fiscal concerns.

The current atmosphere of cooperation between our nation and the Soviet Union is certainly welcome. However, outward gestures of glasnost and perestroika have not been followed by a lessening Soviet commitment to military spending. The most recent verion of Soviet Military Power, a document released by Secretary Carlucci, states that, insted of a decrease in Soviet defense spending, spending continues to increase. Meanwhile, the Soviets watch with great interest U.S efforts to reduce our defense spending.

U.S. defense spending is at a critical juncture. The probable ratification of the INF Treaty will place additional pressure on our conventional forces. Soviet superiority in this area is substantial. There could be a serious shift in the balance of forces if we pursue defense reductions unilateraly in the coming years.

Mr. Secretary, the Soviet threat is not the only threat to our nation. There is another threat less tangible, but presently more menacing. This threat is without great armies, tanks or bombers. It has, however, done more harm to our society than the Soviet Union ever has. I am talking about international drug trafficking. It violates our national sovereignty on a daily basis; it makes mockery of our secure borders; and it threatens our domestic tranquility. Mr. Chairman, international drug trafficking is literally killing our children.

Formerly, the connection between our national security and drug trafficking has not been clear. Recently, however, a new phenomenon, narco-militarism, has emerged which demonstrates the growing influence of the drug cartels over sovereign nations. Military leaders in many Latin American nations are involved, some heavily, in drug trafficking. The Sandinistas in Nicaragua, the military in Haiti, and General Noriega in Panama are vivid examples of this new and growing problem.

Ad hoc, half-hearted commitment to the war on drugs cannot be successful against the underestimated power of the drug cartels in Latin America. The Department of Defense, as well as State, Justice, and Treasury—every department and agency in this Government must be fully committed to the battle against drug trafficking.

I was very disappointed, Mr Secretary, to see no mention in your statement of the role of the military in drug interdiction.

During consideration of the defense authorization bill I intend to offer an amendment to ensure that the Armed Forces of the United States become actively engaged in the war on drugs. This amendment provides that within 7 months after enactment, the President shall deploy equipment and adequately trained personnel outside U.S. land borders for dr}g interdiction. This amendment is substantially different from the recently passed House amendment.

It is my hope that Congress can work closely with the Department of Defense on this most urgent matter. I look forward to working with you in the future, Mr. Secretary.

Thank you, Mr. Chairman.

DRUG THREAT TO AMERICA

Senator D'AMATO. We have been concerned, Mr. Secretary, about the Soviet menace as it relates to our national security. I think that we are justified in that. But I also, Mr. Secretary, have to say that I believe that the Congress has been remiss in not bringing to the forefront and even legislatively more properly defining a role for the military as it relates to what I believe to be national security threat number one, and that is the drug menace.

That is the thousands and thousands of airplanes that fly across our border with impunity, and we have little, if any, in the way of military cooperation as it relates to using and dedicating resources to that interdiction effort.

Indeed, I have some General Accounting Office information that would indicate that out of the so-called 16,288 surveillance flighthours for fiscal year 1987, the so-called law enforcement, that all but 591 were so-called watch flights, in which the instructions were that if you see any drug dealings or suspect any, why, that is part of the mission; and that only 591 AWACS flying hours were truly specifically for law enforcement or drug interdiction.

And now, that is the General Accounting Office. I am not going to get into the specifics of other areas of that GAO report.

But I will say to you that I believe it is about time that the Congress of the United States began to deal—and this is not the fault of the Defense Department—rather forthrightly and rather defining our mission. I think either we are going to have a war on drugs and either the military will become involved and we will not run into the standard provision of not impairing readiness, whatever that means, and that there will be a specific mission designed and a task for the military as it relates to interdiction, as it relates to the borders of this country, or there will not be.

Now, I happen to think that the American people want to see that, whatever legislative changes are necessary to bring this about, to protect our constitutional guarantees. We are not looking to have law enforcement per se within the continental United States by the military, but certainly I believe that there is a very clear area where they should and can be used.

Mr. Secretary, I do not believe that is the case. My question: On April 10 the New York Times ran a story referrifg to a secret 6-month study in 1984. Supposedly, the Joint Chiefs of Staff "recommended that the Pentagon take the lead in determining what was needed to combat the drug threat, even if it meant rethinking the military's principal mission of combat readiness or changing the law to allow greater cooperation in law enforcement."

And by the way I, in cooperation with Senator DeConcini and others, will be introducing an amendment to our authorization bill to see that the military is very clearly given that authority.

But on April 12 I wrote to Admiral Crowe asking to see that report. On May 2, I believe, General Herres, acting Chairman of the Joint Chiefs in Admiral Crowe's absence, wrote back saying he had referred my request to you.

Mr. Secretary, has this request been referred to you? What information from that study can you provide so that the Senate will have the information it needs when this debate is raised this week?

Secretary CARLUCCI. That report has not yet been released. It has not yet come to me. It has been under study by the Joint Chiefs. We will be glad to accelerate it and try to make available whatever information we can, Mr. Chairman.

Senator D'AMATO. Well, Mr. Chairman, let me simply say that I made this request on April 10. On May 2 again General Herres—and he is here—said that he referred this to the Secretary.

Now, this is a report that goes back to 1984. Mr. Secretary, will you make that report available to me?

Secretary CARLUCCI. As soon as I have had a chance to review it, Senator.

Senator D'AMATO. How long do you think that will take?

Secretary CARLUCCI. Well, I have not yet consulted my staff on it, but I will do it as soon as I can.

Senator D'AMATO. Well, General, have you referred that to the Secretary, as you indicated to me, by way of letter of May 2?

General HERRES. Yes, I have, Senator. That came up to me during Admiral Crowe's and the Secretary's absence when they were at the NATO meeting, and that has been sent upstairs.

Secretary CARLUCCI. My staff is currently reviewing it.

Senator D'AMATO. Well, how long will that take, for you to make that available to the Senate?

Secretary CARLUCCI. I have not consulted my staff. I will consult them as soon as I get back and give you an answer.

Senator D'AMATO. Okay. When could I expect that answer?

Chairman STENNIS. The main point has been established. I think in fairness to others we ought to proceed now.

Senator D'AMATO. Okay, Mr. Chairman.

Mr. Secretary, I hope that by the end of the day we could get an answer.

Chairman STENNIS. All right, gentlemen. Without objection now, we will go into the use of the 10-minute rule, so-called, with an extension of time, of course.

Do you have something you wish to say now, Mr. Secretary, a brief word? Or should we go to another Senator?

DEFENSE SUPPORT OF DRUG WAR

Secretary CARLUCCI. On the drug issue, let me say that the Department of Defense has given its enthusiastic support to the drug enforcement agencies. The National Drug Policy Board has recognized that support.

We do make our planes available. We make our ships available; as I just reviewed this morning, six ships with Coast Guard officials on board and 2,500 steaming days. We provide intelligence information; we provide training, and we provide communications.

We have loaned or procured for the drug enforcement agencies approximately $300 million in equipment. DOD is heavily engaged in the war on drugs.

We do have statutory responsibilities, Senator D'Amato is quite right, not to degrade readiness. We do have other responsibilities, and we take those responsibilities very seriously.

Nonetheless, within the context of those responsibilities, our effort continues to increase. We have plans to do more. I referred in my opening comment to 800 helicopters that we are decommissioning as a result of the budget cuts. We are prepared to make those helicopters available as appropriate to the drug law enforcement agencies.

I would like to underscore that there is no reluctance on the part of DOD to enter into this undertaking, providing we can do it consistent with our other missions.

Chairman STENNIS. All right. On your own time, you may come back to that when you wish.

The next Senator I will call upon is Senator Johnston of Louisiana.

Senator JOHNSTON. Thank you, Mr. Chairman.

EVALUATION OF SDI BY SCIENCE REVIEW BOARD

And welcome, Secretary Carlucci and General Herres. Secretary Carlucci, I understand a special Science Review Board commissioned, I believe, by you to evaluate SDI has just issued its report.

It calls the deployment mode of deploying the whole phase one at the same time "very risky' and recommends in lieu thereof a six-step deployment mode, the first step being an accidental launch protection program; the second involving early warning satellites; the third involving, as I recall, beefed up land-based satellites for command protection around Washington.

As I understand it, it is not until the fifth phase of that six-step phase that you ever deploy any space-based assets. And even by the sixth step, it is a very thin indeed section, or very thin protection.

I also understand that just to determine whether or not to begin phase one it takes an additional $45 billion in research, just to determine whether you're going to begin that deployment.

Now, considering the risky nature of this, considering the astronomical cost and the very thin nature of the protection that would be given, and even that, in the latter part of the sixth stage, is it not really time to re-evaluate SDI and determine whether or not we are on the right road and whether we ought to basically reassess that program?

Secretary CARLUCCI. Senator Johnston, I asked the Defense Science Board to come in and take an independent look at SDI. They did, as you indicate, suggest a six-step program leading up to phase one.

But I do not recall them using the phrase that phase one is very risky. The impression that I had after talking to them and reading their report is that they felt the program was fundamentally sound.

I do not recall any figure of $45 billion in research being required to get to phase one. The Defense Science Board did argue that there is merit in going to a limited protection system, providing it can be part of the process in getting to phase one.

They did not want the limited protection system, or ALPS, as you have called it, accidental launch protection system, to be the be all and end all of the program. They indicated that the subject would need additional study.

There are questions of treaty interpretation here, depending on the kind of sensors that you use. There is a question of funding, how much funding it would take to go to a limited protection system, and whether that would divert from phase one.

But certainly, in its oral briefings to me, the Defense Science Board group was insistent on getting on with phase one. I would be prepared to have this group come up and brief you on the details if you would like.

COST OF SDI DEVELOPMENT AND DEPLOYMENT

Senator JOHNSTON. Well, it was a distinguished group and I understand that it did say that it was "very risky." I did misspeak myself when I said it would take $45 billion for a deployment decision. That is really for a development decision. That is $45 billion additional more.

And I might point out that the $45 billion that it would take to make the decision as to whether development—whether to develop, plus the $13 billion already spent, is more than the total of the Midgetman and the MX rail mobile.

I mean, we are not dealing with small bucks in this program, and it seems to me we ought to re-evaluate.

Secretary CARLUCCI. I cannot accept the $45 billion figure. Perhaps General Herres can address that in more detail.

General HERRES. I do not recall how that $45 billion figure fits into the report, Senator. But the numbers for what it will cost are still very much estimates at this stage of the game.

Senator JOHNSTON. Well, I understand that Congressman Brooks asked a question to SDIO in which they say "The cost of the total program, including all three categories, to reach phase one, milestone two, is estimated at $45.5 billion."

General HERRES. That would be the fiscal year 1989–94 cost to perform R&D for phase 1 and the cost to perform research for follow-on phases..

Senator JOHNSTON. Milestone two is the development decision, not the cost of development, but the decision as to whether to develop.

NITZE COST EFFECTIVENESS TEST

General HERRES. For the fifth step in that process.

Senator JOHNSTON. One further comment on SDI. As I look at the numbers, the idea of ever getting anything even close to passing the Nitze test of cost effective in the margin is fanciful. Just putting some broad numbers on it, it looks to me as though it misses, this phase one would miss the Nitze test, by a factor of 5 to 1 or 10 to 1.

In other words, the Soviets could deploy additional warheads at a cost of perhaps one-fifth to one-tenth of the cost of this $150 billion, plus $45 billion, that we are talking about.

I wish you would look at that. I mean, it does not do us any good to have these rhetorical arguments, where you say one thing and somebody else says something else, and we never get right down to the point.

I really think, and we have studied it in depth, that that is inarguably true. I mean, it is irrefutably true that we are not even close on phase one, and we continue to chase this will of the wisp in putting money in there and taking it from other defense, and we should not be doing it.

And I wish you would re-evaluate it. I havegot great confidence in your ability to evaluate.

Secretary CARLUCCI. Let me make a general comment and then ask General Herres to address the cost effectiveness at the margin question. Yes, we are a period away from the deployment of phase one. I would have to put it in the latter half of the 1990's at best.

A part of that reason, of course, is due to the decrement in funding and the fact that we have had to restructure the program. It is a very large program, no question. And I think it is premature to apply the Nitze criteria.

But in addition, it is difficult to apply the Nitze criteria to such things as accidental launch or the possibility that some irresponsible third country, let us say Libya, might have a nuclear weapon and the wherewithal to deliver.

ACCIDENTAL LAUNCH POSSIBILITIES

Senator JOHNSTON. Mr. Secretary, let me interrupt you at that point. Really, accidental launch is not a plausible threat. I mean, it could happen. Anything could happen. And Libya getting a rocket technology is so far down the road. I mean, it is—a suitcase bomb is a much bigger threat than that, and we are not spending billions of dollars.

Secretary CARLUCCI. I would differ from you. We are currently very concerned at the proliferation of rocket technology, which is why we have joined six other countries in signing a regime to prevent the transfer of that technology.

We have seen very capable missiles in the Middle East, and so I do not think we are far off from the point where an irresponsible country could have the rocket technology to deliver.

Senator JOHNSTON. Libya with ICBM's?

Secretary CARLUCCI. Well, we have seen not necessarily ICBM's, but you can launch some of the shorter range missiles from ships, for that matter.

But let me ask General Herres to address the cost effectiveness at the margin issue.

General HERRES. Senator, the phase one performance——

Chairman STENNIS. Gentlemen, I am sorry, but under our rules that apply here we will have to call time on this matter. The time of the gentleman has expired.

Senator Rudman, you are the next one on the list.

STATUS OF CURRENT DEFENSE PROGRAMS

Senator RUDMAN. Well, thank you, Mr. Chairman. And I guess this will be the last major hearing of the subcommittee, and I just want to thank the Chairman for his unfailing courtesy.

Chairman STENNIS. Well, you have made a real contribution in the time you have been here.

Senator RUDMAN. Mr. Secretary, I will have several questions which I would refer to as programmatic, which I will submit for the record. I can assure you they will be brief. They will not require lengthy answers.

But I would like to have your thinking on a number of programs on the record, particularly since this committee will be facing a new administration to deal with next year, and I would like those.

COMPETITIVE STRATEGIC INITIATIVE

Senator RUDMAN. I want to ask you what I would really call a generic question, and I plan to ask it. And I am kind of encouraged by part of your statement and part of General Herres' statement. On page 10 of your statement, the second paragraph, you say:

> We must continue efforts to investigate new technologies which will strengthen our capabilities to conduct a flexible conventional response. Toward this end, we have initiated the competitive strategy initiative.

And then I will skip and then you go down to the bottom and you say:

> Our initial task force focused on mid to high intensity conflict in Europe, and the task force recommendations are being staffed now.

General Herres in his statement on page 6 says.

> In practice, all of the services are moving toward a smaller force of high quality. In general, this smaller force must be structured for the future and able to achieve better exchange ratios.

He goes on to say that he is very interested, of course, as we all are, in enhanced battlefield surveillance systems and new family of fighting vehicles, et cetera.

SMART WEAPONS TECHNOLOGY

Now, as I am sure you know, or if you do not I will tell you, for the last 5 years in this committee I have been arguing for major increases in R&D allocation for what is generically referred to as smart weapons technology. I think we have to start out with an assumption, irrespective of today's events, that INF is going to be ratified, if not sooner, later.

If you go on that basis, then of course we are going into the rather striking strategic phenomenon of relying on conventional deterrence as opposed to nuclear deterrence in Europe, although you can make a case that there is still some good nuclear deterrence left.

Nevertheless, the balance of conventional forces and their capability becomes even more important, which is what you have been saying and the administration has been saying.

I also believe in this constrained budgetary environment that it is unlikely under any administration we are going to see any dramatic increases in structure in terms of the force size. And thus I guess my question is, and it is a fairly simple question: In light of all of these facts, which I do not think anyone can refute, will you as SecDef prior to departing lay out a plan, certainly not in this year's budget but for the future, that will emphasize the kind of force multipliers that we get with surveillance, with smart weapons technology, with smart munitions?

The thing that disturbs me in looking at your budget request this year, we all understand the armor imbalance in Europe, and yet there is a sensor-fused weapon for the antiarmor mission which has been delayed now for another year under the request you sent to the Hill.

I do not understand that kind of thinking. Incidentally, none of these weapons to my knowledge are made in the state of New Hampshire. I think most of them come from California and Texas.

But I am very concerned that we are this year going to spend less than 5 percent of the total R&D budget on smart weapons technology. And by all that you are saying, it would seem that that would be a high priority.

And I would like if you and General Herres could respond to that, and that is my only question in this morning other than the ones that I will submit for the record.

USE OF SMART WEAPONS IN PERSIAN GULF

Secretary CARLUCCI. Thank you, Senator. I agree wholeheartedly with the concept of having a program to develop and put into the field smart weapons. That, in fact, is what competitive strategy is all about. It is designing a program that can pit our enduring strengths against Soviet enduring weaknesses.

That program is moving ahead. We are currently wargaming some of the initial results to see how they stand up in actual practice. We also have the balanced technology initiative which is being funded in the R&D program, and it has smart weapons as one of its special categories.

I cannot speak to every single smart weapon. There may be programmatic or procurement reasons why this particular program that you mentioned has been slowed down, but I certainly agree with the concept. Indeed, I think the concept was fully vindicated in the recent events in the Persian Gulf, where our Navy demonstrated the capability of smart weapons.

If I can be permitted to posture just a second in terms of surface combat, we had five out of five Harpoons hit, four out of five Standard missiles hit, and five out of five laser-guided bombs hit. We were not certain how well we did with Standard missiles against aircraft, but in the surface combat the performance was quite striking, and I think fully vindicates the smart weapons concept.

ISRAELI USE OF SMART WEAPONS TECHNOLOGY

Senator RUDMAN. Mr. Secretary, I appreciate the answer. It just seems to me we have another striking example; that is, the Israeli use of smart weapons technology in surveillance vehicles during their last major conflict in which their armor imbalance was striking. In fact, it had the same kind of ratios of armor and balance that we presently have.

Now, I can say, having talked to their defense research people in the last 3 months, that knowing of the enormous imbalance that they have with the Syrians, for instance, that all of their planning is based on smart weapons technology. It just seems to me that before this administration leaves office with the major contribution it has made to defense, there ought to be a plan from your two task forces you have going in which we start to build up the smart munitions technology.

I will not go over the list. I know them because it has been a particular interest of mine. There are literally hundreds of rational proposals that would be force multipliers to the normal armor or infantry battalion that start to address the very kind of issue that was proven by our Navy in the Gulf.

You are absolutely right. Without those munitions, it is questionable as to how it would have turned out. It might have turned out well but maybe at a greater cost of life.

My time is up, Mr. Secretary, but to the extent that we can spend more money sensibly on what are generally spoken of as fire and forget munitions, I hope that this administration will lay that all out for the Congress, because I believe you could get enormous support for that kind of funding because it goes hand in hand with smaller force structure, it goes hand in hand with the INF Treaty in Europe, and it goes hand in hand with my theory that it is going to be a long time before we have a conventional force treaty with the Soviets in Europe.

Secretary CARLUCCI. I agree with you, Senator Rudman. I think the Joint Chiefs would agree with you.

General HERRES. Yes, sir.

REPORT ON UNMANNED AERIAL VEHICLES

I might mention one thing, sir. I chair the Joint Requirements Oversight Council, which consists of the Vice Chiefs of each the Services. We spent a lot of time this winter and spring reviewing weapons in this category. We just made a major contribution to the report that will be coming over to the Hill on unmanned aerial vehicles, which is one of the significant portions of smart weapons. So we are working that problem very hard.

Senator RUDMAN. Thank you very much.

Thank you, Mr. Chairman.

Chairman STENNIS. Thank you very much.

Now, that brings us to Mr. Sasser. You are recognized for 10 minutes.

Senator SASSER. Thank you, Mr. Chairman.

I want to welcome you, Secretary Carlucci, here this morning.

USE OF MILITARY IN COMBATTING ILLEGAL DRUGS

Mr. Secretary, we can debate the question of whether or not it is appropriate for the active military to be used in combatting drugs coming into the United States. I am familiar with the arguments, and you can make some very persuasive arguments that it detracts the active military away from its primary mission of defending the security of this country from external threats.

You can make a very persuasive argument that it establishes a dangerous precedent for the active military to be interceding in what are essentially civil matters or civil problems.

I think we will agree, however, that the drug situation is getting very, very serious, and we are losing this so-called war on drugs in my estimation.

Now, I think, Mr. Secretary, that the time has come when we need to look at the proposition of utilizing the resources of the National Guard against drugs.

As you know, we already are using the National Guard to a limited extent to assist civilian drug authorities in a number of States, and I think the Guard is a unique resource that we could use in drug interdiction. We could do it in such a manner that it would not detract from the Guard's training or from its current mission. The Guard has a tradition of assisting in what are essentially civil problems.

I would like to get your thinking, Mr. Secretary, as to whether or not you believe it will be appropriate for the National Guard to assist in this effort to interdict drugs coming into this country or being of assistance to civilian authorities as they attempt to suppress the drug trade.

Secretary CARLUCCI. I would agree, Senator Sasser, that the National Guard can be of assistance, and we are currently assessing specific ways in which we can use the National Guard.

It is important to remember, though, that we have a total force concept, and the National Guard cannot be simply singled out and given separate drug responsibilities. What they do has to be consistent with the overall military mission.

It is also important to remember that the Guard and Reserve have civilian responsibilities, and they are not always available for military missions. Within that context, we are looking at ways in which we can make more use of the National Guard.

ANTI-DRUG EFFORTS OF NATIONAL GUARD

Senator SASSER. Mr. Secretary, I am pleased to hear you say that because I am considering offering an amendment to the Armed Services bill which would provide a modest increase in the Guard's current anti-drug efforts. I believe that a number of the helicopters that the Guard presently controls could be utilized very effectively in an effort to interdict drugs or assist civilian police authorities. I think the Air National Guard might have a role to play in that.

I would appreciate the opportunity to work with you and the Department of Defense as I am preparing this amendment. Could I consult with you or your associates?

Secretary CARLUCCI. We would be anxious to work with you, Senator Sasser, because I think there are some pitfalls in statutorily assigning missions, particularly to specific components of the Department of Defense.

I know that is not your intent, but whatever any component does has to fit with the overall mission of the Department. We certainly cannot set a precedent of dictating specific missions by statute to specific components.

UNTIED LOANS TO SOVIET UNION

Senator SASSER. Let me shift gears here just a moment, Mr. Secretary. There was a very disturbing report in the morning newspaper here in Washington this morning that the West Germans are granting the Soviets a large $2.1 billion line of credit.

This is very disturbing to me because these are essentially untied loans to the Soviets. There is a pattern developing of our Western European allies and the Japanese making untied loans to the Soviets. These so-called untied loans can be used, as you know, to subsidize aggressive activities on the part of the Soviets and third world countries. They can be used to subsidize or to finance their military activities.

What is the attitude of the Department of Defense on this whole matter? One of the things that concerns me is that I fear that the debtor, in this case the Soviet Union, is going to get into a posture where it can exert undue influence on the creditors, in this case the countries of Western Europe and the Japanese.

What is the attitude of the Department of Defense to these so-called untied loans, and has the United States protested this German-Soviet deal, and do we intend to?

Secretary CARLUCCI. We are unhappy about these kinds of loans. The untied loans have been going on for some time. We have raised the question in general terms because it does put an added defense burden on the NATO allies.

On the other hand, it is very hard for us to make a specific case because we are not engaged in economic warfare with the Soviet Union. This is not a violation of COCOM regulations. They are not dealing in strategic materials.

We, ourselves, just sent a very large trade mission to Moscow, so the allies say "You are trading with the Soviets." This is just a commercial proposition.

So while I would agree with you that this is a very, very undesirable practice, there are no specific pegs that we could use to go to our allies and say you have to stop this loan or that loan.

Senator SASSER. I think the problem, Mr. Secretary, is that the Soviets are using these untied loans to finance military mischief, I fear, around the world.

Secretary CARLUCCI. I agree with you.

Senator SASSER. Now, the Soviets have very limited amounts of foreign exchange, as you know, mostly coming from oil, from the sale of natural gas, from the sale of arms internationally, and that amounts to about $30 billion a year.

Now, almost all of that foreign exchange that the Soviets get goes to service their external debt and to purchase imports. As our European allies and as the Japanese get into the business of these untied loans, then the Soviets can use these funds to finance their military adventures around the world, and I think it is very, very unwise. I believe we ought to start using all due efforts or influence on our lives to discourage them from these untied loans to the Soviets.

I believe, Mr. Secretary, that the Department of Defense can be in a posture and in a position to at least make its dissatisfaction known even in a quiet way with our allies.

Secretary CARLUCCI. Senator Sasser, we have met with some success in getting the allies to stop the practice of subsidized loans.

On the other hand, it is very difficult to get them to stop making loans at commercial rates unless we are prepared to engage in a total economic embargo of the Soviet Union because they respond, "Well, you are trading at normal commercial rates as well."

Senator SASSER. We are not loaning them money. Less than 2 percent of the funds that they borrow abroad come from the United States.

Secretary CARLUCCI. No, we are not loaning them money, but, on the other hand, trade produces money, trade can produce foreign exchange for them. So our allies would make that kind of an argument. Unless we move to a total economic boycott, it is very difficult to prevent that kind of practice.

Chairman STENNIS. Gentlemen, I am sorry. You can come back to this subject matter, of course, but you have used up your allotted time.

Senator Cochran.

Senator COCHRAN. Thank you very much, Mr. Chairman.

PAY RAISE PROPOSAL TO MILITARY

Mr. Secretary, I understand in your opening statement to the committee you talked about the importance of the pay raise that is proposed by the administration for the military.

It is my understanding that the House has made a reduction in its authorization bill of that 4.3 percent request.

In the Senate bill that was reported from the committee, the 4.3 percent raise is included.

Secretary CARLUCCI. That is correct.

Senator COCHRAN. I wonder how we argue the case for that raise in view of the fact that the civilian Defense Department employees and other employees on the civilian side of the Government are being recommended for only a 2 percent raise.

Have there been disparities in the past in these raises that have adversely affected the military salaries since 1982?

Secretary CARLUCCI. Well, there have, of course, been disparities, and the personnel systems, as you know, are totally different.

Furthermore, this is an essential component of maintaining the all-volunteer force. We have to watch our recruitment and retention very carefully. We certainly do not want to repeat the experience of the 1970s, where we allowed the pay base to erode. The good people started to leave, and then we had to have a catch-up pay raise. So we ended up paying for it in any event, and we lost the quality people. That is precisely the risk.

The military have different responsibilities than the civilian work force. They are subject to transfer at all times. They are sent into combat, as we have just seen recently. They are subject to different working hours.

It is really apples and oranges. If any of the civilians are unhappy with their pay scale, they can always sign up for the military.

I see no comparison here. Military pay raises are 11 percent under comparability. We need to pay attention to that gap because it involves a serious national security problem.

OPERATION OF CARRIER BATTLE GROUPS

Senator COCHRAN. There is another issue that may come up as we debate the authorization bill that is on the floor of the Senate today, and that is the authority for carrier battle groups to continue to operate and to bring on line the new carriers that are under construction and that will be coming into the fleet soon.

I understand that one Senator is contemplating offering an amendment which would cap the number of carriers in the fleet at 14. I understand that is where we are now but as new carriers come into the fleet under this amendment it would be necessary to mothball the older carriers.

What is the practical implication of that kind of change and that kind of cap on the Navy's ability to fulfill its mission?

Secretary CARLUCCI. Senator Cochran, we are opposed to that change. We think we need a minimum of 15 carrier battle groups to carry out our worldwide responsibilities. I think time and again the importance of carrier battle groups has been demonstrated.

If we were forced to reduce a carrier battle group, then what would happen is we would have to increase the operating tempo of the remaining carrier battle groups. Our carriers are already at sea for extended periods. About 9 months is the average, I believe. That puts a terrific strain on the officers and crew.

Unless we are somehow going to reduce our worldwide responsibilities, and I am not capable of telling you how to do that off the top of my head, I see no alternative to increasing the operating tempo of the remaining carriers.

So you gain nothing. You have an adverse impact on morale. Your O&M cost may well go up.

Once again, if we want to look for savings in the Defense Department budget, I have areas in which I would like to talk to the committees, but I do not think that this is a particularly productive area.

Let me ask General Herres to comment on that.

General HERRES. I would just add to the Secretary's comments that we are approaching situations now, in fact, frequently, where we have to go to the Secretary with choices to be made with regard to gapping commitments.

I would rather not go into the details of that in open hearing, but these are choices that are going to have to be made. If we are capped at 14 carriers, that will become a routine situation.

Senator COCHRAN. I thank you very much for your response to that.

GUARD AND RESERVE RESPONSIBILITIES

When Secretary Marsh was before the committee earlier this year talking about the National Guard and Reserve forces, he said that the Guard and Reserve were fulfilling about 50 percent of the wartime responsibility where in case of war there would be a requirement for the Guard and Reserve to fulfill about 50 percent of the mission, and that they are getting about 13 percent of the total budget right now, which sounds very cost effective as an investment to this Senator.

Is that enough for maintaining a part of our military that would be called upon to fulfill that size of the burden, that much of the burden in time of war? Do you think that mix is appropriate?

Secretary CARLUCCI. We constantly have that mix under review, Senator Cochran. You cannot look at it in terms of pure cost effectiveness. You have to look at it in terms of capability of individual components and individual CINCs to carry out their mission.

This is a study that the Joint Chiefs conduct on an ongoing basis.

Senator COCHRAN. Yes, sir. I think the 13 percent is probably applicable in the case of the Army. I do not know what the figure would be, but I am sure it is much higher for the other services because of the equipment involved.

As you know, we have gradually expanded our dependence on Reserve forces. I think we have institutionalized the Total Force concept very effectively over the recent years. The Guard and Reserve have become an integral part of our planning process.

When the reference is made to 50 percent of the job, that means that 50 percent of our commitments in the war plans are tasked to various Guard and Reserve units, and they are achieving high levels of combat readiness.

There has to be a balance, though, because you need counterpart forces in the Active Force for a variety of reasons, one of which is responsiveness, things that you do need to do quickly.

The other thing, of course, is active duty forces are forward-deployed forces. You have to have an overseas rotation base for them; they cannot stay overseas indefinitely. All those factors play in that mix to which you are referring.

We work that very hard, Senator.

Senator COCHRAN. Thank you very much.

Thank you, Mr. Chairman.

Chairman STENNIS. Senator Proxmire.

Senator PROXMIRE. Thank you, Mr. Chairman.

Senator COCHRAN. Mr. Chairman, I am sorry. Could I interrupt by simply saying Senator Weicker had to leave and asked that his questions be put in the record, Mr. Chairman.

I apologize to the Senator for interrupting him.

Chairman STENNIS. Without objection.

QUALITY OF PERSONNEL

Senator PROXMIRE. Secretary Carlucci, I have been in this committee about 26 years and in the Senate 30 years, and there is always a tendency when witnesses come up to pick out those areas where we disagree. That can be very constructive.

I want to say that I think you have your priorities exactly right. I noticed you started off with personnel and quality of personnel. I think nothing is more important.

Senator Rudman talked about and has been an expert in smart weapons. I think smart people are much more important. By and large, we overlook that, and I think the Defense Department has improved greatly over the last few years in that respect, and I see you are carrying that on.

Secretary CARLUCCI. Thank you, Senator.

Senator PROXMIRE. Pay is certainly critical for that.

You also, I notice, have training priorities very high for the Army, the Navy and the Air Force. Of course, that is critical, too.

If we are going to hold down defense spending, it seems to me that we have to do it in agreement with the Soviet Union over all. It is going to be substantial.

You talked about how the level of defense spending is reaching a level of serious concern, and that may be well be right, but it seems to me that how much we have to have depends upon how much of a threat we face in the Soviet Union.

With that in mind, I read your article in the New York Times recently on your meeting with Soviet Minister Yasov with considerable interest.

SOVIET DOCTRINE ON DEFENSE AND REASONABLE SUFFICIENCY

You indicate in that that there was at least a debate over whether the Soviets are moving toward a military doctrine based on defense and reasonable sufficiency.

Secretary CARLUCCI. Correct.

Senator PROXMIRE. Would you give us a little more detail on, first, what you think that might signify with the Soviet Union, and if the Soviet Union does follow through on that, what significance it has for us and our military.

Secretary CARLUCCI. Let me first off reemphasize a point I made in the article. We do not see any change in Soviet force structure. The equipment, including tanks, continues to come out of the production plants in very substantial ratios to ours.

We do not see any change in the offensive character of Soviet forces, and this was a point that——

Senator PROXMIRE. May I interrupt to say that we would not expect to see that unless we had some kind of agreement with them.

Secretary CARLUCCI. No, I would differ with you on that, Senator. I differed with General Yasov on that point, because if they maintain that they have a defense doctrine, that means a change of some sort because their doctrine has been offensively oriented.

Now, they deny that. They say they have changed, but they cannot describe the difference between Breschnev's defensive doctrine and their current defensive doctrine.

In any event, all our intelligence indicates that their forces have been offensively oriented. As I indicated in the article, airborne troops, tanks, and bridging equipment are all clearly offensive weapons.

So if they are moving to a defensive posture, then one ought to see some change in their force structure, and one ought to see a slowdown in the production of tanks irrespective of what we do. We are a defensive alliance.

SOVIET FORWARD DEPLOYMENT

Senator PROXMIRE. How about their deployment? I understand they are deployed in forward positions in the West German plain, for example, in a deployment that we do not have and which we do not at all mirror on the other side. Our people are pulled back in reserve.

Secretary CARLUCCI. That is right.

Senator PROXMIRE. We do not necessarily even put our most skilled troops in that position; is that correct?

Secretary CARLUCCI. Yes. They are clearly poised for a breakthrough on the central front. That whole strategy is based on pushing right through Europe very quickly. General Herres can probably address this in more specific terms than I.

Senator PROXMIRE. Talk about the possibility of negotiating a change in that. Do you think that is realistic?

Secretary CARLUCCI. I do not think we can negotiate a change in Soviet military doctrine.

What we have going on with them is a dialogue on doctrine to find out what they really mean about such terms as "reasonable sufficiency" and "defense doctrine."

The conclusion I reached after my first meeting with Yasov is that they have a debate going on in the Soviet Union, but this debate has not yet impacted the military establishment in any visible and significant ways.

One has to concede the point that if they change doctrines, given the enormous amount they have in the pipeline, it would take some time for force structure to change.

SOVIET MILITARY DOCTRINE

Senator PROXMIRE. Did Yasov in the early part of 1987 indicate that their doctrine was an offensive doctrine and then 6 months later reverse it and say the doctrine is a defensive doctrine?

Secretary CARLUCCI. I do not think they ever said they have an offensive doctrine. What they have said that is somewhat new is that they now have an offensive capability to strike back at the enemy after the enemy launches the first strike.

They have never admitted to having a purely offensive doctrine. Once again, our analysis of their force structure and their training indicates quite clearly that they do have an offensive structure.

EFFECT OF MILITARY SPENDING ON SOVIET ECONOMY

Senator PROXMIRE. There has been a lot of discussion about the possibility of negotiations with the Soviet Union in which the Soviet Union obviously has far more to gain than we have in cutting the burden of their military spending. Their GNP is about half of ours. Their spending is bigger than ours, and it is having a devastating effect on their economy.

The Joint Economic Committee hearings which I chaired just a few weeks ago indicated that their growth was the worse in the last year that it has been in many, many years, about one-half of 1 percent. One big reason for it, of course, is the diversion of so much of their resources into the military.

So why would it not be to their interest and to our interest, too, especially in view of the way Gorbachev has moved and spoken in the past, to try to negotiate with us a mutual and verifiable reduction on both sides in spending?

Secretary CARLUCCI. To a certain extent, it is in their interest to do that. They certainly have an interest in cost avoidance in the outyears.

They, however, would prefer to maximize their position in any negotiations. Their defense budget continues to increase by the rate of about 3 percent a year in real terms. They see our defense budget going down for the fourth year in a row.

Senator PROXMIRE. Let me just interrupt on that. The DEA and the CIA testified to us that over the last several years their increase in overall defense spending was about 2 percent, and their procurement increase was about zero.

Secretary CARLUCCI. The figure I have been given by the intelligence agency is about 3 percent. I used that figure with Yasov. He did not deny it. He did not accept it, but he did not stop me and say that is too high.

In any event, they see our budget going down. They see, as Senator Sasser knows, a somewhat smarter effort on the part of some of our allies. The point I would make is why would it be in their interest to negotiate reductions if we are reducing unilaterally?

Senator PROXMIRE. Because it would enormously help their economy.

Secretary CARLUCCI. Their position is that they would wait until we reduce and then follow with appropriate reductions that would help them minimize their economy.

Time and again we have seen the Soviet Union willing to tighten its belt in order to maintain weapons production. They presently produce about half the weapons in the entire world. So it is going to take a very considerable drop before they are anywhere near our lesser level of effort. They have a lot of latitude.

DEFENSE SAVINGS PRIORITIES

Senator PROXMIRE. Let me ask you one last question. You referred to your willingness to discuss savings in the budget and priorities in savings.

Can you give us one, two, three what your savings priorities are, where we can cut in that order?

Secretary CARLUCCI. Yes, sir. My priorities would be in the procurement area based on our track record of using multi-year contracting where we have achieved significant savings, as I am sure you are aware.

We can move to a procurement strategy based on quality. We can work with the defense industry to lower its cost base to get some quality control mechanisms in at the front end; to help the defense industry program their long lead items and their workforce.

But a precondition for doing this is some stability in the budgeting process. If we can get that stability, I will sign up for very substantial savings in our procurement accounts.

Senator PROXMIRE. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Chairman STENNIS. Thank you, Senator.

Thank you, Mr. Secretary.

You gentlemen used up the time just exactly, and that brings us down to Mr. Weicker. I understand. Just a minute. I want the record to show his name was called.

Is Senator Weicker present?

PREPARED STATEMENT OF SENATOR WEICKER

Senator Cochran. Senator Weicker was here and had another commitment and asked that his statement be placed in the record.

Chairman Stennis. All right, we are very glad to have your explanation. Thank you.

[The statement follows:]

PREPARED STATEMENT OF HON. LOWELL WEICKER

U.S. Senator From Connecticut

Secretary Carlucci, I want to commend you for the way you have handled the fiscal year 1989 budget. While I don't agree with everything you have done, I think, in general, that you have presented a credible budget—one that enjoys considerable support in Congress. You have made some tough, important decisions. You have made deep cuts in the defense budget, and that is no mean feat.

I also know that you are moving in the right direction so far as long-range financial planning is concerned. Toward that end, you are in the process of developing a new 5-year defense program [FYDP] for fiscal years 1990–94 and have agreed to present it to Congress by April 1, 1989.

In developing a new FYDP, you are attempting to bring outyear budget plans into line with reality. While many in Congress think of the outyears as nothing more than a "wish list" or "funny money," your plan to cut $300 billion from the 5-year plan is serious stuff. It will have an immediate and lasting effect on many programs dear to the heart of Congress, including some in my home state of Connecticut. The full force of the impending reductions, however, will not be felt until next year.

As I see it, you are trying to reverse a trend set in motion by your predecessor, Secretary Caspar Weinberger. He abandoned long-range planning in favor of the biennial budget, which has been relegated to nothing more than an annual, 1-year budget exercise. As a consequence of Caspar Weinberger's financial management policies, there is total chaos in program planning in the Pentagon.

The failure to develop a 5-year plan is not consistent with the law. It is not consistent with internal departmental regulations (No. 7045.7, May 23, 1984). It is not consistent with sound financial management. It is not consistent with your famous "Carlucci initiatives" and the recommendations of the Packard Commission.

Quite frankly, Mr. Secretary, I don't know how you can formulate a budget without a detailed funding plan for the outyears. The budget and the outyears are inextricably linked. The outyears should be a smooth continuation of the budget itself, and as such, represent an imperfect image of the future consequences of near-term budget decisions.

I would like to focus for a moment on the outyears—fiscal year 1990 in particular, because of its close association with the budget request.

The outyear data given to Congress on selected programs appear in Congressional Data Sheets. That information is supposed to be derived from the FYDP. The data sheets recently submitted in connection with your amended fiscal year 1988–89 biennial budget are consistent with the September 1986 version of the fiscal years 1988–92 FYDP, according to information provided by your Comptroller's office.

The September 1986 FYDP is now about 2 years old and is grossly out of date. It exceeds the President's budget for fiscal years 1988–92 by $120 billion. It envisioned an fiscal year 1989 budget request of $341 billion—a figure you helped to pare down to $291 billion and a fiscal year 1990 budget of $371 billion—a figure you plan to reduce to $307 billion. Reductions of this magnitude are having a profound impact on individual programs.

Take for instance the F-16 fighter (General Electric and Pratt & Whitney engines). It is illustrative of the problem.

The new Congressional Data Sheet indicates an advance procurement request of $588.7 million to buy the 180 F-16's programed in fiscal year 1990. However, Mr. Secretary, as you know, the Air Force has already made a decision to reduce the F-16 buy in fiscal year 1990 to 120 aircraft in connection with the fiscal years 1990-94 FYDP. While that decision might conceivably be reversed, should that happen, offsetting reductions would have to be made elsewhere, and the net result would be the same.

Chairman STENNIS. That brings us to Senator Kasten. He was here a while, and he has disappeared.

Does anyone speak for him?

[No response.]

Chairman STENNIS. Well, he will be back, I assume.

Senator Stevens, that brings us to you.

Senator STEVENS. Mr. Chairman, I know other members have been here longer than I, and I would be happy to wait if Senator DeConcini and others have problems. I have been to another meeting.

Chairman STENNIS. The Chair does not object to that, except we announced in the beginning that we would call these according to the parties.

Senator STEVENS. I would be happy to defer to my friend from Arizona so that he might go ahead.

Senator DECONCINI. Mr. Chairman, thank you, and I thank the Senator from Alaska for that courtesy. I do have someplace to be at 11:00 a.m., which I am not going to make, and I do have a couple of questions I would like to submit to the Secretary.

Mr. Secretary, I have about 8 questions, and so I am only going to ask you a couple. I want to thank you for being here and also compliment you for the way you are conducting the Defense Department. It is a very difficult job in these times.

USE OF NATIONAL GUARD IN ILLEGAL DRUG EFFORTS

Senator Sasser asked the question on the National Guard being used in the drug effort. Out in Arizona, General Owens there, our adjutant general, has on occasion used some of his mobile radar efforts along the border.

Problems arose. One is, I believe, continued authorization or permission from the Defense Department to do this.

The other was that he had to notice it, and so there was publicity about it, so we have to believe that drug smugglers would have been notified, too. They did have a little bit of contact, but I wonder how long it is going to be until the Defense Department really does implement some procedures for the Guard where they would be on a constant basis doing some training along the border in line with what Senator Sasser has pointed out, realizing the unanimity of the force structure.

I just wonder what the schedule is because I think it is something that could be expedited if you agree.

Secretary CARLUCCI. Well, we are looking at that on an urgent basis, Senator.

I do not know exactly when our people will complete their assessment, but consistent with the overall mission, we are perfectly willing to work in cooperation with the States. We are willing to make greater use of the National Guard.

Senator DECONCINI. Well, I do not want to put you on the spot for a date. Obviously I do not have one, but I just wonder if anybody is on top of this. I mean, we are talking about 30 or 60 days, or are we talking about 18 months, or when?

Secretary CARLUCCI. If I had to guess, I would think we would be able to resolve these kinds of issues within a matter of a couple of weeks.

Senator DECONCINI. Now, are you talking about a resolution as one of those possibilities actually changing some of the mission of the guard that this would be used as part of their total training program? Is this what we are talking about? Is that under consideration?

Secretary CARLUCCI. We can do some training in this area. I have to note that when we do this, there is some degradation in training. It is a different mission. We have to appreciate that the military are trained for warfare, and there is a very distinct difference, as you well know, between warfare and law enforcement. Our military are not trained to read people their Miranda rights.

USE OF GUARD IN ARIZONA

Senator DECONCINI. Excuse me, Mr. Secretary. I am not suggesting that. In the southern part of Arizona the Guard has a helicopter division there or a wing. They also have a radar group in the Phoenix area. They picked it up, and instead of going up north they went down along the border. I do not know if it is classified or not, but they set up for a number of days as part of their training mission.

Secretary CARLUCCI. We do that extensively.

Senator DECONCINI. Well, it seems to me I am not sure that is done very often. From what I gather, it seems to me that if there is a mission, that that is part of a training.

The same with the helicopters. Have them do surveillance along the border if nothing else as a deterrent factor built in along with the training. That is my only point.

Secretary CARLUCCI. We agree with that.

Senator DECONCINI. Well, I do not see a plan for that. I see it indiscriminately used and sometimes problems of getting the authority from the bureau here to continue to do it.

Secretary CARLUCCI. I would like to submit something for the record on that point because we do that extensively.

[The information follows:]

USE OF NATIONAL GUARD

There is no helicopter division or wing in the southern part of Arizona. There is, however, a Western Aviation Training Site [WATS] located at Marana, Arizona that consists of classrooms, simulated flight training, and maintenance facilities. There is also a National Guard attack battalion at the same location.

The 107th Tactical Control Squadron, Arizona Air National Guard [ANG], has regularly provided support to the NNBIS Operation Alliance. During the last quarter of FY87, four ANG AN/TPS-43E radars, from four states including Arizona, were deployed to the southern border of Arizona in support of Operation Autumn Harvest. The Army National Guard was also involved by providing helicopter support as chase aircraft for that operation.

There have been no missions in support of drug enforcement disapproved by the National Guard Bureau. In fact, if missions are conducted by it in a training status, Title 32, they will not be disapproved if they meet the following criteria:

a. Mission conducted incidental to scheduled training;
b. Noninterference basis with training;
c. No detriment to combat readiness;
d. Approval will be done on a case-by-case basis;
e. Mission is compatible with the unit's mission;
f. Must not encroach upon other agencies operational areas;
g. Flying hours within the program;
h. National Guard personnel will not be subjected to a known hostile environment.

The following chart illustrates the National Guard support provided to drug enforcement missions over the last three years:

Support	CY85	CY86	CY87
States involved in missions	20	21	25
Total missions	209	222	376
Requests for loans/leases	26	29	23
Personnel involved	665	648	1,547
Flying hours used	890.1	1,702.9	2,560.6

SCHEDULING OF TRAINING OBJECTIVES

General HERRES. When we do this training, these units need to train with other units and with other elements of the force structure. It is not always in the interest of the training to be achieved, the training objectives, to be exercising in the border areas. When we can, we do respond to requests for support.

Senator DECONCINI. Well, I guess, General, is what I am suggesting is that you do not respond to requests but that you come down from the top or that it be at least under consideration that more emphasis be on training along the border that you have to use in your military, and that is what I would hope that you can get back to me with.

General HERRES. When I said requests, I meant requests from the other agencies that are involved in the drug effort. We are not orchestrating or running that effort.

Senator DECONCINI. I understand, but DEA and Customs are not going to sit around and say, hey, would you send your helicopters down there. They have to know that you have a plan to make helicopters available 30 days now for training along the Mexican-U.S. border. That is what I would like to see, the Defense Department be a little more aggressive in making it available.

If you sit back and wait, some of these law enforcement agencies are not going to mess with trying to get through to you unless there is a really dire emergency.

General HERRES. I think there is a misperception about what we do do. I know you do not want me to get bogged down in that right now, but we do not just sit back and wait. We do work, and I am not just talking about helicopters on a broad scale; other examples include the AWACs missions, the E-2 missions, and the P-3 missions.

Senator DECONCINI. Yes, I know about the E-2C missions that you do, and they are effective because they are low-flying missions. Your AWACs missions are good training, and I realize you have to do high altitude, and you pick up a few things. But there are a lot of other Guard units that could be used and deployed, and I just hope that that is in the process. I will wait to hear a little better or more in-depth response.

AH-64 APACHE HELICOPTER

Mr. Secretary, in view of the AH-64 Apache procurement record for the period of 1982 through 1987, I note that in four of the 6 years, the Army actually bought less than the quantity of aircraft authorized and appropriated by Congress. Presumably that occurred because of insufficient funds.

Since the Army has stated that the minimum economic production rate for the aircraft is six per month, I believe it is important that 72 aircraft be procured in 1989.

Are sufficient funds included in the 1989 budget to procure the quantity of at least 72 aircraft as requested?

Secretary CARLUCCI. In all but four of our programs, we have protected economical production rates.

Senator DECONCINI. Do you know the answer to that question, General?

General HERRES. We would like to get more Apaches in the program, but we do have to balance that against sufficient acquisition of Blackhawks and others.

Senator DECONCINI. Do you know if there are sufficient funds to purchase 72 in the budget?

Secretary CARLUCCI. Yes, we have 72 in 1989.

Senator DECONCINI. That is what your plans are? Thank you. That is all I need to know, Mr. Secretary.

MULTIYEAR PROCUREMENT

One last question, Mr. Secretary. You have stated that weapons systems will be procured at economic production rates. Dr. Costello of OSD has expressed his convictions that significant savings can be realized by multi-year procurement.

Both these comments in light of the depressed budget environment would seem to dictate that we proceed to procurement of the Apache helicopter at the lowest possible cost. This would be in the taxpayers' interest and support a strong national defense.

Accordingly, I would think that Apache multi-year procurement makes sound economic sense.

Have you reviewed this, or is that under consideration, or can you give me an update?

Secretary CARLUCCI. I believe it is under consideration, but I would like to submit something for the record.

[The information follows:]

MULTIYEAR PROCUREMENT OF APACHE

The Department is evaluating the option to proceed with a multi-year procurement of the APACHE. One strongly favored proposal by the Army calls for a four-year multi-year contract to build 60 APACHES per year. We shall review the compliance of this proposal with the established criteria and make the necessary decisions in the context of building our FY 1990 budget request.

Senator DECONCINI. General, do you know?

General HERRES. No, sir. I do not.

Senator DECONCINI. I understand that is under negotiation, but can you give us an update, then, on it?

Secretary CARLUCCI. I will give you an update.

If I may make a comment. In order for us to continue production at economic rates do that, we have had to take down force structure and terminate 18 weapons systems. It is vitally important that the Congress support us in the termination of these systems if we are to protect the other systems.

Senator DECONCINI. I understand, Mr. Secretary, and that is one of the reasons that I would like to have some specific answers about what you are doing, because if you are going to commit to this multi-purpose contract, then myself and maybe others who support the helicopter program have to also make some adjustments for other weapons that you may be beginning to slow down on.

Thank you, Mr. Secretary, and thank you, Mr. Chairman.

Thank you, Senator Stevens. I appreciate your courtesy.

Chairman STENNIS. The Senator passed when we got to him before. He will be recognized now. The Senator from Alaska.

Senator STEVENS. Thank you, Mr. Chairman.

I am sorry I was late, Mr. Secretary and General.

UNAUTHORIZED APPROPRIATIONS

I am worried about some of the technical details now of the relationships between the Congress and particularly the Senate and the Department of Defense.

In the authorization bill that is on the floor now, there is a flack going on concerning unauthorized appropriations. Every year we have had this battle. It seems to me that it is unfortunate because it pits those of us who support defense against one another in terms of just a jurisdictional feud.

But I am disturbed about one aspect of this, Mr. Secretary, and that is that the Director of OMB has sent you and other secretaries a letter concerning the commitment of funds that were not previously authorized.

You are familiar with that letter?

Secretary CARLUCCI. I do not recall it off the top of my head.

Senator STEVENS. Well, Mr. Miller has indicated that, as I understand it, it is the position of the OMB that the Department should not go ahead with the items contained in the appropriations bill that were not previously authorized.

Secretary CARLUCCI. I am familiar with that letter, yes, sir. I recall it now.

Senator STEVENS. The interesting thing about this amendment, section 903, is that it addresses four specific areas and is much narrower than Mr. Miller's letter. So that leads me to the question that I had.

That section has been dropped from the House version of the bill, and if we can resolve this matter here in the Congress I believe we will get this version of the bill out of the authorization bill. That leaves the appropriations bill intact.

What are you going to do about Mr. Miller's letter?

Secretary CARLUCCI. Well, if the matter is resolved by the Congress, I think the whole thing falls by the wayside.

Senator STEVENS. I hope that is the case.

MAINTENANCE OF U.S. MILITARY PERSONNEL ABROAD

Let me go to another problem, and that is the budget that is before the committee now understates expenses of maintaining our servicemen and women abroad by at least $1billion.

Now, that happens primarily because of the tumbling rates of exchange vis-a-vis Japan and Germany. As a matter of fact, you estimated in this budget the yen at 162 to a dollar. Today's rate is 124 to the dollar, a difference of 31 percent just since your budget was submitted.

We have a difficult time dealing with the reprogramming of other requests now in order to cover these costs.

Could you tell me, are you looking in any way to avoid this in the future? It is going to go on and on and on.

Secretary CARLUCCI. It is very difficult, as you know, Senator Stevens, to predict exchange rates. Indeed, if we could we should be in the arbitrage business.

The only way that we can see to deal with this is through transfer authority in the 1988-89 budget. We requested transfer authority to use lapsed funds for the currency fluctuation fund. That was denied to us.

So I think we need some ongoing mechanism. I would agree with you that it has become an acute problem, and we need to address it jointly.

Senator STEVENS. Well, we did have, we thought, an arrangement worked out with your staff to clarify those items that were actually must-pay items, and that also involved an understanding on our part that the furloughs of civilian personnel would be suspended.

CIVILIAN FURLOUGHS

Can you tell us, what is the situation with regard to civilian furloughs now departmentwide?

Secretary CARLUCCI. I hope my staff did not make such a commitment because I am unable to make that commitment. We have, as you are aware, approximately a $4 billion shortfall in our O&M accounts due to currency fluctuations, INF costs, CHAMPUS, and absorbing the pay raise. Those are fact-of-life items.

We are moving aggressively to cut down on O&M expenditures. We have at this point taken a hit on readiness, much to my distress, because I had hoped that the Congress would share my concern that we maintain readiness. If the Congress denies us this transfer authority, I will have no choice but to reduce the accounts.

It is my understanding that the Congress insists on scoring these transfers in terms of outlays. I have argued that it is our responsibility to manage outlays, and we can manage to an outlay ceiling, although I did point out at the time of the budget summit that there was an outlay/BA mismatch. I think everybody was aware of that.

But if the Congress is insistent on scoring the outlays, then I withdraw my request, and we will somehow find a way within existing DOD transfer authorities to deal with the problem.

In any event, I cannot give a guarantee that we will not have to furlough or reduce personnel or cut into readiness and sustainability, in order to meet the funding shortfalls.

Senator STEVENS. Well, there is enough blame to go around for everybody, Mr. Secretary.

As a practical matter, during the first quarter of this fiscal year because the continuing resolution was delayed, we authorized continued spending based upon the 1987 levels. As we got into 1988, those levels were not carried through in the appropriations process because of the problems of the mismatch that you mentioned.

It is true that the Budget Committee has now indicated on this side that they intend to insist upon scoring requirements if we are to change the traditional level of reprogramming as has been requested. Your request is that we increase that level, as I recall, to a $4 billion level.

The problem is this, very frankly. We are now into a period where we are dealing with 1988. This is supplemental. We thought we were going to be able to work out a must-pay requirement list and have those approved. I think we could have had them approved on that supplemental that came through just before the last recess, but at the last minute there was a breakdown, as my staff told me, in terms of negotiations with your people over the question of what happens to civilian personnel.

I think that is still a key to the issue as far as we are concerned.

Secretary CARLUCCI. I do not believe that I can fulfill my responsibilities and give a commitment that I will not furlough or reduce personnel because the only option I have is to severely curtail readiness if I give that kind of a guarantee. I believe that that is a distortion of the priorities set by both the Congress and the Defense Department.

I might point out, we also had a funding shortfall as a result of the Congress's cut in those particular accounts. So it is not just a fact of life item.

Senator STEVENS. Well, but the cuts were made because of the summit agreement. Some of us did not even participate in that agreement, but we have to live up to it, and you will have to live up to it too. But, at the time that agreement was made there was no indication to us that the civilian personnel in the Department of Defense would be told to go home, we are not going to pay you for 45 days, but meanwhile, your job is still here.

Now, that is putting an unfair burden on a portion of the Department.

Well, I have got one other thing I have got to go to, and they tell me my time is up.

CHANGE IN POSSE COMITATUS

Let me just comment on it for what it is worth. We are in a situation now, and I think Senator D'Amato mentioned it, where we have got a House version of a change in the posse comitatus interpretation. We have a similar thing coming up over here now. We have been pleading with your people to recognize the congressional desire that the Defense take a more active role in the drug interdiction program.

Now, unfortunately I would say now that those of us who would be willing to try to work the thing out with the Department and to take the lead in trying to convince our colleagues in the Congress to take a more balanced point of view about this, are in the position where we are going to lose. In any event, there will be a change unless we can get some basic understanding with the Department of what will be a proper definition of a more active role in terms of the Department of Defense in the drug interdiction program.

Now, I understand the Joint Chiefs of Staff are ready to go along that line, very frankly, and you heard our colleagues from the Congress already express their point of view. There is going to be substantial increase in funding for someone to take on the job of further drug interdiction beyond the 3-mile limit. That ought to be the role of the Department of Defense, in our judgment.

But I leave it there.

Secretary CARLUCCI. Well, Senator Stevens——

Senator STEVENS. As I understand your statement, you made an absolute statement on March 4 that you would strongly oppose any effort to create an active law enforcement role for the military in the campaign against drugs.

Secretary CARLUCCI. I do not believe that law enforcement per se, including making arrests and changing the posse comitatus act, is appropriate. I believe that the military can and indeed is doing a lot more as a support agency for the front line drug enforcement agencies.

If the Congress wants to change the posse comitatus act, I would be glad to provide technical advice, but I think it is unwise to get the military directly into law enforcement. Do we shoot people? Do we shoot down planes? The legal liabilities are enormously important questions that have to be addressed.

The military are not trained for the law enforcement mission. If we suddenly tell them that they are in law enforcement, then we have to shift the entire training of the military. Indeed, we have to shift the procurement priorities from some of the things Senator Rudman was talking about.

So there are very substantial questions that have to be addressed. I would be delighted to have my people address them with you. I am distressed to hear you say that we have been unwilling to work with you. Certainly there are no such instructions out from me in the Pentagon. We are pleased to work with anybody in this area.

EFFECT ON MILITARY READINESS FROM LARGER DRUG INTERDICTION ROLE

Senator STEVENS. We were told that substantially increasing the amounts—and I am quoting—"substantially increasing the amounts of assistance provided could adversely affect military readiness."

Secretary CARLUCCI. Well, that is probably true.

Senator STEVENS. Well, I do not understand that. Why?

I cannot think of a better training for those people to be doing. By definition it is outside the 3-mile limit, outside the jurisdiction of any State organization. We are talking about a Federal area to start with.

The question is, who is involved? When we see reports of cargo ships that come in with people, every one of them armed with Uzis, we are at war. And we think the people to be handling the war are in the Department of Defense.

Secretary CARLUCCI. Well, I agree that there is a war, but it is a different kind of war than the kind of war that the military is called upon to engage in. Training in interdicting Uzis may not help at all for the kind of firefight that we had a couple of weeks ago in the Persian Gulf where you are dealing with missiles.

So we can do a certain amount of this, and we are. We are doing the maximum, but when you go past that threshold, you begin to degrade readiness, and we are bound by statute not to degrade readiness.

Senator STEVENS. All right.

Well, my time is up, Mr. Secretary.

Chairman STENNIS. All right.

Thank you, sir.

Gentlemen, we have gone the rounds now of the membership that have been able to get here, and we will start over and I just want to go as far as we can, not necessarily leaving at 12:00.

So I will start on the second round.

Senator Johnston, I call on you first.

Senator JOHNSTON. I thank you, Mr. Chairman.

COMPARISON OF NORTH/SOUTH KOREA MILITARY STRENGTHS

Mr. Secretary, at the time we made our commitments in Korea, things were decidedly different there. There has been some discussion in this committee on burden sharing and on the question of the Korean commitment.

For that purpose I would like to ask first, could you give me a comparison of the populations, or is it not true that the population of South Korea is much bigger than North Korea, the GNP is many times more—I am sure the answer to those first two questions is yes, but can you give me a comparison of the military strength of the South Korean military?

Secretary CARLUCCI. Well, in terms of divisions, North Korea has more military strength. In terms of xercentage of GNP spent on the military, North Korea is among the highest in the world. North Korea is a very substantial military power with considerable modern weaponry.

General Herres, do you want to address that?

General HERRES. I can only say that they are virtually bristling with capabilities all along the border.

Senator JOHNSTON. I understand that, but in comparison to South Korea?

General HERRES. Yes, sir, larger force structure and more forward deployed than the allied forces, that is the United States and the Koreans.

Senator JOHNSTON. Would you say they are stronger militarily than South Korea?

Secretary CARLUCCI. I am not prepared to say that. Quantitatively, yes; but that is not a net assessment. That is simply a quantitative measure.

General HERRES. And of course, that is a significant burden.

Senator JOHNSTON. That is in troops?

Secretary CARLUCCI. In troops, in force structure, as General Herres says, equipment generally. They outnumber the South Koreans.

Senator JOHNSTON. Yet they are an offensive threat to South Korea in your judgment?

Secretary CARLUCCI. Oh, there is no question about it.

CONTINUED U.S. MILITARY ROLE IN SOUTH KOREA

Senator JOHNSTON. Well, considering the greatly, I mean, South Korea's economy is many, many times stronger than North Korea, why must they have the United States—I mean, it seems to me at the time we made that commitment, we made it for very good and sufficient reasons. I certainly supported it. At that time there was strong support from the Soviet Union and the PRC, and it seems to me it is reasonably safe to say now that there is not such support, and therefore, that the threat of invasion from the north is less, and whatever that threat is, South Korea should at least in the foreseeable future be able to meet that.

Is that not so, or should we re-examine that, or should we stay there forever? What is the thinking of the Department of Defense?

Secretary CARLUCCI. I would not be prepared to make that judgment on North Korea. North Korea is one of the more fanatical nations in the world. They have continued their tunneling effort. They have used terrorism; we have had a recent example of that. Their intent is very clear. The DMZ is only 30 miles from the capital of Korea. North Korea remains a distinct threat, whether or not the Soviets and the Chinese support them.

And I do not think you can make the judgment that in the event of combat they would not get some support from the Soviets or the Chinese.

That said, economically South Korea is clearly in a stronger position than it has ever been, and they are generally willing to pick up more of the burden. I have my deputy, Secretary Taft, in Korea today discussing this issue with the Koreans. There are ways in which we can share the burden other than simply reducing U.S. troops. Indeed, unless you reduce U.S. commitments, it may cost you money to bring U.S. troops back to the United States. You have got to build facilities, and then you have got to have the airlift and sealift to get them back overseas if you are going to fulfill your contingency plans.

There are other ways to look at burden sharing, including weapons cooperation, host nation support, and out of area activities. We are discussing all of these with our allies, including Korea.

Senator JOHNSTON. Well, I would certainly hope we would and just not take it for granted because, I mean, if there is one country that ought to be able to defend itself, it is South Korea, many, many times stronger economically than North Korea.

UNFUNDED SUPPLEMENTALS

Mr. Secretary, on April 25, Deputy Secretary Taft wrote the Senate discussing efforts to resolve the unfunded supplemental problem. I understand your staff identified two different approaches by which the DOD could absorb $179 million and therefore not increase, not have to come in for additional transfer. One approach would add $179 million in new appropriations but be offset by rescissions and deferrals to maintain the same outlay level. And the other approach would permit DOD to transfer prior year balances instead of increasing the appropriations or transfer authority.

Are you familiar with these efforts, and do you support both approaches or either approach?

Secretary CARLUCCI. Yes, I am familiar with these efforts, Senator Johnston. The problem is the same problem that Senator Stevens and I were just discussing; that is, Congress seems intent on scoring the outlays instead of allowing us to manage the outlays.

If in fact the Congress is going to score the outlays, thereby breaking the Budget Summit agreement, it is perhaps best that we not go ahead with the transfer authority.

Senator JOHNSTON. The problem is that the Congress is not monolithic on that subject. The Budget Committee thinks they ought to be scored and we think they ought to be managed, and the Budget Committee thinks that not to score them would break the Summit Agreement.

Secretary CARLUCCI. I am prepared to go whichever way the Congress wishes to if this can be done without scoring the outlays. I would prefer to have the transfer authority and buy back the $900 million in readiness hits already taken. On the other hand, if it is going to be scored and this opens up the Budget Agreement, then I would withdraw the request, and I will somehow manage.

In any event, I do not think I can in good conscience give guarantees on people or readiness or depot maintenance backlogs.

Senator JOHNSTON. Can you absorb the $179 million?

Secretary CARLUCCI. Sure.

Senator JOHNSTON. I mean, absorb all but $179 million?

Secretary CARLUCCI. I can absorb it, but something will suffer. Whether it is readiness or the personnel accounts, I am prepared to absorb it. But there will be some repercussions.

Senator JOHNSTON. Maybe layoffs, furloughs, whatever.

Secretary CARLUCCI. I am not predicting that. I am prepared to make every effort to avoid that. Indeed, there are some problems associated with that because we have union contracts.

I do not want to do that, but the most dangerous thing, Senator Johnson and Senator Stevens, would be to allow this thing to fester down to the last moment, in which case I will have to take very drastic action, grounding aircraft and ships and laying off people en masse.

I urge the Congress to resolve this as soon as possible.

REPROGRAMMING REQUESTS

I am presently sending up approximately $2.1 billion in reprogramming requests in order to allow me to absorb this on the assumption that I will not get the transfer authority. It is vitally important that the Congress act on these reprogramming requests as rapidly as possible.

Senator JOHNSTON. If we did score outlays, and let the record reflect that I do not think we should score them. I think we ought to do it in the traditional way, and I think Senator Stevens feels the same, and I will let him speak for himself, but if we did score that, what would be your position? What would be your request?

You would withdraw the previous——

Secretary CARLUCCI. I would take it back.

Senator JOHNSTON. But what——

Secretary CARLUCCI. Because, quite frankly, every time Budget Agreements are opened up, Defense seems to lose. So rather than take that risk, I would withdraw my request.

Senator JOHNSTON. So you would have to look at it at that time.

Secretary CARLUCCI. I would have to look at it.

Senator JOHNSTON. All right.

Thank you, Mr. Chairman.

Chairman STENNIS. All right, gentlemen.

Senator STEVENS. Could I follow up on a couple of questions?

I am sorry, did you want to go to Senator D'Amato now?

Chairman STENNIS. Did you have one question?

Senator STEVENS. I wanted to follow up on what he was talking about.

Chairman STENNIS. Well, that may take longer.

Senator D'Amato?

Senator D'AMATO. Thank you, Mr. Chairman.

Mr. Chairman, I am going to ask that a number of my questions be submitted for the record rather than take the time of the committee, and just raise one question with the Secretary.

MILITARY PREPAREDNESS

Mr. Secretary, the military posture prepared by the Joint Chiefs, it says United States Military Posture, Fiscal Year 1989, and I refer to page 27, it says:

> The security of the United States is uniquely bound to the security of the Western Hemisphere. The proximity of Central America and the Caribbean to our southern frontiers, the importance of the Panama Canal in domestic commerce, especially oil flow, and the emergence of the Soviet surrogates in this region, Cuba and Nicaragua, reinforce these concerns.

Going over to page 28, I pick up, it says:

> The expanding scope of global narcotics trafficking, particularly in Latin America, threatens our national security, and combined with insurgency and terrorism, undermines the stability of domestic states of the Western Hemisphere and distorts public perceptions of the narcotics issue. There are indications of a direct connection between the illegal drug trade and insurgent groups in the region.

Then it says "The Soviet Union provides Cuba extensive financial support," and has a combat brigade, a signal intelligence facility, advisors and technical assistance there. That is prepared by the Joint Chiefs, fiscal year 1989.

Take that in connection, Mr. Secretary, with the statement submitted to this committee by Admiral Crowe, the Chairman of the Joint Chiefs of Staff, and that statement was on March 3, 1988. Admiral Crowe in that statement presented to this committee noted the threat of Cuba to many friendly nations in Latin America, on page 9, he says we also see a heavily armed Cuba and Nicaragua constantly working to derail free and democratic processes in the region, joined at times by groups engaged in illegal distribution of drugs.

CUBAN PRESENCE AND INFLUENCE IN PANAMA

Now, Mr. Secretary, I note that it has been established that there is a growing presence in Panama, Cuban presence.

Do you consider growing Cuban influence in Panama as a threat to U.S. national security, and what do you recommend that the United States do to meet this threat?

Secretary CARLUCCI. Well, I certainly consider growing Cuban influence a threat to U.S. security. In terms of meeting it, our policy is designed to bring about, in conjunction with the other Latin American nations, a democratic and stable Panama under civilian rule, which would ensure the security of the Canal. We are working actively in diplomatic channels to bring this about.

We have made it very clear that General Noriega is an obstacle to civilian constitutional rule and that he should step down. We hope that other Latin Americans will join us in urging that he do what is in his country's best interests.

Senator D'AMATO. Mr. Secretary, have you indicated or have you detected a growing Cuban influence in Panama in relationship to increased operatives from Cuba?

Secretary CARLUCCI. There is a growing Cuban influence, and there seems to be a growing Cuban presence. I do not know what you mean by operatives. If you mean intelligence agents, that is something I could not comment on in this kind of a hearing, but there is a growing Cuban influence, and that is a matter of concern.

Senator D'AMATO. You say to me your plan is basically to work with the other Latin American countries to bring about the democratic process in Panama, is that a fair——

Secretary CARLUCCI. Yes, but that is not my plan.

Senator D'AMATO. Pardon me?

Secretary CARLUCCI. That is not my plan, it is the President's decision that our goal in Panama is a democratic and stable Panama under civilian rule. That is not my policy, it is the policy of the administration.

Senator D'AMATO. Well, I was wondering what you recommend to meet that threat of the Cuban influence in Panama?

Secretary CARLUCCI. We are actively working in diplomatic channels to bring about that goal. If we have a stable democratic Panama, obviously Cuban influence would be diminished.

SOUTH AMERICAN SUPPORT FOR U.S. PLAN IN PANAMA

Senator D'AMATO. Do you believe that with the drug traffickers and the drug cartel and the Cuban influence, that the Organization of American States or the Latin American countries are going to persuade them, these forces that are there, to bring about this democratic process?

Do you think that is realistic?

Secretary CARLUCCI. I think that——

Senator D'AMATO. Well, I am asking if you think that is realistic.

Secretary CARLUCCI. I think it is realistic to expect the support of a substantial number of the countries of Latin America.

Senator D'AMATO. My question is do you believe that if you were to gain that support, that this would bring about a democratic process in Panama with the drug cartel and Noriega relinquishing their control?

Is that realistic to believe that that in and of itself is going to bring that about?

Secretary CARLUCCI. Obviously, this is a problem principally for the Panamanians, but with the outside moral and diplomatic support of the United States and the other countries of the Americas, I think you can produce change in Panama.

Yes, sir, I think that is realistic.

Senator D'AMATO. I would simply say, Mr. Secretary, that I think it is rather naive to believe that we are going to bring about Noreiga's abdication of his grip in this country by way of the urging of the other Latin American countries.

We have brought about a policy, we have brought about economic ruin to the middle class. We have increasing numbers of Cubans and the Cubanization of the canal taking place.

As far back as March, we had the Admiral testifying in his statement as it relates to the security interests and the drug connection and the danger that it raised. And I simply would say that it is absolutely no policy or certainly a policy that falls rather short of coming to any successful conclusion.

It is like playing a game of chess and not knowing how to bring about a win, and that is called a checkmate. We have a stalemate that is deteriorating, and I think the Panamanian people rightly feel betrayed as a result of rather an inept handling of a sensitive matter.

Thank you, Mr. Chairman.

Chairman STENNIS. Thank you, gentlemen

Now, gentlemen, everyone here has had a chance.

Senator LEAHY. I have not asked my questions yet.

Chairman STENNIS. I am going to recognize you now.

Now we have a situation, too, gentlemen, if we can meet—the Secretary had an appointment with the President at 12 o'clock. If we can be brief, all right. And if we cannot, we can come back.

All right, Senator Leahy.

Senator LEAHY. Thank you, Mr. Chairman.

DOD/STATE DEPARTMENT DISAGREEMENT ON SITUATION IN PANAMA

Mr. Secretary, I would like to follow up a little bit on what Senator D'Amato has asked about. I have seen accounts in the press of some of the disagreements between you and Secretary of State Shultz on how to get General Noriega out of Panama.

The report says that Secretary Shultz wants us to use our military influence and presence in Panama to help President Delvalle, and that you do not. I understand that for much of this decade, also according to press accounts, we have had General Noriega on the U.S. payroll and that he, during that same time, was actively involved in drug peddling and apparently, according also to these press accounts, perhaps helping in other operations in Central America.

And I realize, having built him up that way and having spent that money to keep him there, it creates a difficult situation for us. But he is now under indictment in federal courts on drug peddling.

I do not think there is anybody who questions that the evidence has shown for a number of years his drug involvement. What are we doing now to get him out of there, and what are we going to do?

Secretary CARLUCCI. Well, first of all, I think it is erroneous to draw the conclusion that U.S. policy was to build Noriega up. I cannot go into intelligence information in this kind of a forum, but I would simply suggest that the appropriate Intelligence Committees look into this issue.

Senator LEAHY. I am just referring to what has been in the press, quoting administration sources, and in public statements made by the Department of Defense. I am not referring to anything in intelligence, only to those things that have been in the press, open in the press and uncontradicted in the press.

Secretary CARLUCCI. Well, the press accounts have been greatly exaggerated. In any event, there has been absolutely no difference between Secretary Shultz and me on the policy goals that I just described for Senator D'Amato; that is, a stable, democratic Panama under civilian constitutional rule, with Noriega out of the country.

POLICY MEASURES IN PANAMA

Senator LEAHY. But Mr. Secretary, nobody disagrees with those policies in or out of the administration. Is there a disagreement on how to do that, how to accomplish that?

Secretary CARLUCCI. I do not think it is appropriate for me to comment on internal deliberations within the administration or recommendations that either Secretary Shultz or I make to the President. The President's policy is our policy.

He makes the decisions. Suffice it to say that every possible step is being taken consistent with our national security responsibilities and the protection of American citizens to bring about the achievement of these goals.

There is a very active diplomatic effort currently under way in this area. There has been considerable economic pressure brought to bear, and we are hopeful that these efforts will produce results.

Senator LEAHY. If the economic efforts do not produce the policy goals which I certainly share with you, and I think every member of this committee does, if the economic efforts do not work, can you state publicly what would be our next step?

Secretary CARLUCCI. Well, I do not think we ought to get into contingencies, because the minute you get into contingencies that vitiates your current diplomatic efforts. And if you are speculating on military contingencies, we make it a practice of never commenting on military contingencies.

Senator LEAHY. Are you surprised that General Noriega is still there? There was a lot of optimism 2 or 3 weeks ago that he would be out with this pressure.

Secretary CARLUCCI. I never made any statements saying that he——

Senator LEAHY. I realize you did not.

Secretary CARLUCCI. I do not think it is appropriate for me to characterize my reaction one way or another. The President has determined a policy and I am supporting that policy.

INF TREATY

Senator LEAHY. Mr. Secretary, another area. As you know, we have had some snags in getting the INF treaty up this week. It appears to me failure to ratify the treaty, or excessive delay would put us into the worst of all possible worlds.

But if we were to have a ratified treaty, would we not have a situation where politically the missiles are going to go out anyway on our side, on the NATO side? Every defense minister and every head of state that I have talked with in NATO countries tells me: Now that you have made that decision, the missiles are going to go out, treaty or not.

Without a treaty, we might have the worst of all possible worlds. We would lose the missiles and yet we have nothing of an obligation on the other side.

Secretary CARLUCCI. I would agree. It is certainly in our overall interest to have this treaty ratified. On the other hand, I cannot fathom why the Soviets have come up with these particular impediments, and their response to our demarche was less than totally satisfactory.

Secretary Shultz is leaving for Geneva tonight and will be discussing this tomorrow with Foreign Minister Shevardnadze. I think we need to await the outcome of these discussions.

I am hopeful this can be resolved and the Senate can get on with the ratification of the treaty.

Senator LEAHY. I hope so, too, Mr. Secretary. You know, it is a relatively minor treaty, and I share with you the concern. I cannot understand why the Soviets have thrown some of these roadblocks in.

VERIFICATION FACTORS IN TREATY

But there is no question in my mind that the Senate will not advise and consent to a treaty that does not have all the verification built in. No matter whether we are pro or anti-arms control, I think you will find everybody would join together in not going forward with the treaty, and I hope the Soviets understand that.

Secretary CARLUCCI. The administration does not want to go forward without the adequate verification measures.

Senator LEAHY. Is that going to make a change, though, in the summit? You have talked with the Soviet Defense Minister—and incidentally, I commend you on your meeting with your counterpart in the Soviet Union. I think that that is not only unprecedented, certainly in postwar times, but it must have been for you a very fascinating experience, and I suspect for him, too.

Secretary CARLUCCI. We plan subsequent meetings. He has invited me to the Soviet Union and I intend to accept. We will also see each other at the summit.

Senator LEAHY. I would wonder, do you see this having a cloud on the summit if we do not have—if we are unable to go forward with the treaty?

Secretary CARLUCCI. It would greatly enhance the atmosphere of the summit if we could clear this up and have the treaty ratified prior to the summit.

I would not like to speculate on the consequences if we do not have it cleared up, because Secretary Shultz will be working on it tomorrow.

Senator LEAHY. Thank you very much, Mr. Secretary.

Mr. Chairman, thank you.

Chairman STENNIS. Thank you.

Gentlemen, this has been an excellent hearing. The content has been splendid. Mr. Secretary and gentlemen, you have testified well and I am very proud to have all of this in here in the official record.

Now, we have not quite finished yet, but I understand that we are at the doorstep almost. You have this commitment here.

Secretary CARLUCCI. The President is hosting a lunch for Secretary General Carrington at 12 o'clock, Mr. Chairman. I can be a few minutes late, I assume, for the lunch.

Chairman STENNIS. Well, your first duty would be to him. But all of us who are here now and who have something have already asked questions once. Could we agree that all of them could ask two more questions if they desire, and the Secretary could have a chance to answer them?

Senator SASSER. Mr. Chairman, I have just got one and possibly two very quick questions. And I have been here since 5 minutes of 10 this morning.

Chairman STENNIS. Well, we may have enough time to take care of you briefly. Could we have an agreement that we would file the other questions here and limit it to one or two questions, and the answers would be coming in, say, in 10 days or something like that. That I believe would serve us just as well.

Senator SASSER. Well, if that is the Chairman's desire.

Chairman STENNIS. Would you like to ask your questions now then?

Senator SASSER. Yes, sir.

BURDEN SHARING

Mr. Secretary, I want to again take this opportunity to commend you for your approach to the whole issue of burden-sharing, sharing the burden of the defense of the free world with our allies. For a period of years, I have been trying to focus public attention on this whole question of burden-sharing.

And your creation of a task force chaired by Secretary Taft to get at this whole issue, I believe, is very, very encouraging. I have long thought that we need to get into this question in a responsible manner, and if we did not then we might reap the whirlwind from that later.

Now, I understand Secretary Taft has now been to Europe and has met with the NATO defense ministers. And I was hopeful that you might be in a position to share some of the preliminary feedback from Secretary Taft's visits with the committee this morning.

Secretary CARLUCCI. Secretary Taft's visit was very productive in terms of presenting the issue and making clear that we want to deal with this issue in a NATO forum, but also making clear that it is a matter of serious concern in the United States, and particularly in the Congress.

Secretary General Carrington has been extremely supportive. I have talked to incoming Secretary General Woener, and he has indicated his intent to be very supportive, to move this issue into the appropriate NATO committees, and to address it in a serious way.

Most of the countries present when Secretary Taft made his presentation responded in a generally positive vein. But I do have to say there was an element of defensiveness in some of the positions they took, which only underscores the sensitivity of this issue with our allies.

The last thing we want is for it to degenerate into a debate in which we are pointing our finger at their percent of GNP and they are pointing their finger at their conscription, their territory, their environment, their risk, our declining budget, and all those sorts of things.

We are trying to channel it into constructive areas; "do more if you can." We have to be selective because there are some allies, even in percentage of GNP, that are doing more than we are, and there are certain allies whose budgets are increasing while ours is going down.

But some allies are clearly lagging in their responsibilities have to focus on those allies and on programs that make better use of existing resources, such as the armaments cooperation program, out of area activities, the conventional arms planning system, host nation support, and a host of other like initiatives.

PREDICTABILITY AND STABILITY

Senator SASSER. Mr. Chairman, I had one other question. The Secretary referred in his opening statement to predictability and stability.

Chairman STENNIS. Speak a little louder, would you, please.

Senator SASSER. Mr. Chairman, I said the Secretary referred in his opening statement to the whole question of predictability and stability with regard to budgets. And I would be very interested in getting his further views on that, and I will submit that question for the record.

When he said that we could cut contract, military contract costs by 20 to 30 percent with more predictability and more stability in budgeting, he certainly got my attention. And so I will submit that for the record.

Secretary CARLUCCI. I stand by that statement, Senator.

Chairman STENNIS. All right. Anything else?

Senator STEVENS. Mr. Chairman, Senator McClure, and I believe Senator Kasten, wish to submit questions for the record.

Chairman STENNIS. Without objection, those will be permitted to go into the record.

Senator LEAHY. Mr. Chairman, Senator Byrd has some questions for the record and I would ask unanimous consent those be submitted.

TWO-YEAR AUTHORIZATION AND APPROPRIATION CYCLE

And last, I would ask—and Mr. Chairman and Mr. Secretary, I was very pleased to see your call for a 2-year defense authorization and appropriation cycle, and would be happy to work with you and do everything possible to get that. I think it is absolutely necessary and I think it is a great idea, and I have some prepared questions for the record that I will submit.

SUBMITTED QUESTIONS

Chairman STENNIS. Those will be accepted for inclusion in the record, together with the submitted questions referred to earlier.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY CHAIRMAN STENNIS

Question: What is DoD's latest estimate of 1988 outlays for the National Defense function?

Answer: The Department intends to manage outlays, therefore, the estimate for 1988 outlays has not changed.

Possible Revisions to the FY 1989 Budget

Question: Since development of the budget, DoD has undertaken the development of a fully detailed five year defense plan. There are now press reports that your analysis of outyear costs has identified serious outyear affordability problems. Options reportedly under consideration include further program cancellations, deferral of programs and reduced annual procurement levels. Given what you now know about affordability, what changes would you like to suggest that the committee make in the FY 1989 Budget?

Answer: The significant outyear savings associated with the adjustments reflected in the amended FY 1989 budget will provide a portion of the reductions necessary to achieve the topline for FY 1990 through FY 1994. Other actions, such as further force structure reductions and additional program terminations or deferrals, will be necessary if we are to maintain our commitment to ensure quality people, adequate levels of readiness, and efficient acquisition. However, details of those actions will not be available until the internal review of the FY 1990-FY 1994 program, which we are now conducting, is complete. With this in mind, we urge the Committee to refrain from changing our amended FY 1989 request.

Question: Are there programs that are proposed in 1989 that are going to be cancelled in 1990?

Answer: The details of the FY 1990 request will not be available until the current internal program review of the FY 1990-FY 1994 program is complete and the FY 1990/FY 1991 biennial budget developed.

Advance Procurement Funding

Question: Are all the long lead funds requested in 1989 for procurement in 1990 and later needed?

Answer: Yes, the advance procurement funds are needed. Since no final decisions have been made about the FY 1990 budget, it would be premature to delete funds from FY 1989 on the basis of what the FY 1990 program might be. Further, it is my intention to maintain a stable procurement plan in FY 1990. That priority was adhered to in reducing the FY 1989 budget, and I intend to continue that priority. The bulk of advance funding is for stable, mature programs, and in the unlikely event that an FY 1990 budget is reduced, the advance procurement funds will be applicable to the FY 1991 program. Any percentage reduction would be inappropriate since the Department would have no basis for assigning such reductions. As a result, all programs could end up being underfunded. I strongly oppose any reduction to FY 1989 advance funding.

Possible Additions to the Budget

Question: Mr. Secretary, in the course of reviewing the budget, the Committee frequently identifies savings that become available because of unexpected program slippage, and favorable repricing of programs. How would you recommend the Committee use these savings?

Answer: The funding constraints placed on all programs in the amended FY 1989 budget most likely preclude additional savings. In fact, if our FY 1989 requests for multiyear contracting are not approved by the Congress, we could incur additional costs. However, if some unexpected savings do become available, we would be most happy to work with the Congress to identify higher priority programs, which could benefit from increased funding.

Question: Could you provide for the record a list of items in priority order?

Answer: I cannot specify at this time, what higher priority programs should receive additional funding resulting from unexpected savings. Such programs would be determined by review of our requirements and the status of existing programs when the actual level of unexpected savings is known.

Current DoD Role and Effect of Expansion

Question: How much is the Department of Defense already doing in drug interdiction activities and how would a massive expansion of this effort affect our military readiness and posture?

Answer: The Department of Defense (DoD) is involved in drug interdiction activities to the maximum extent possible within existing statutory, resource, and readiness constraints. The Posse Comitatus Act (18 U.S.C. 1385) and Sections 371-380 of Title 10 United States Code specifically limit activities of DoD personnel in the enforcement of civil law in addition to prohibiting activities which would adversely affect military readiness. Within those constraints, DoD continues to provide substantial assistance to federal drug law enforcement agencies. DoD presently has on loan to those agencies equipment valued at over $300 million. This equipment ranges from sophisticated aircraft and radars to simple hand-held weapons and common binoculars. Of particular significance is the secure communications equipment we have loaned which enables law enforcement agencies to communicate with each other during interdiction operations without fear of being monitored by the drug traffickers. Further, we have made our facilities available, nationwide, for use by federal and local law enforcement agencies in a variety of ways. We have provided various types of training to include land and water survival, specialized small arms, navigation, and operations planning. In addition, intelligence pertaining to illegal drug activities is provided to drug law enforcement agencies for evaluation and action. We also have detailed liaison personnel to law enforcement agencies and the Vice President's National Narcotics Border Interdiction System. Finally, and perhaps the most visible, DoD provides a significant amount of air and maritime surveillance through the use of airborne radar aircraft and Navy ships with embarked Coast Guard law enforcement detachments (LEDETS).

While it is difficult to assess the impact of a massive expansion of DoD's interdiction activities on military readiness, it most certainly would degrade our ability to perform our mission as it is now defined. Every DoD dollar and every person in military uniform is important to our national defense strategy. To meet our existing missions, our personnel training and proficiency requirements are at the minimum levels which will ensure combat readiness. Any new training requirements potentially will alter acceptable levels of risk associated with countering potential military aggression. Depending on the scope and duration of an expanded DoD interdiction role, the cumulative effect on combat readiness could be devastating in some operational areas.

In any case, the assumption of an expanded role or new anti-drug missions without a specific increase in resources for that purpose will require the reduction of resources assigned to military activities that counter the potential threat of military aggression. To do more necessitates the assumption of a greater level of military risk with respect to potential adversaries whose military budgets are continuing to expand rapidly.

U.S. COMMITMENT ON THE PERSIAN GULF

Question: What is the reason for this policy change and how does it affect U.S. force levels required in the Gulf area?

Answer: Our principal goal has been and remains the restoration of peace and stability in the region. Unfortunately, the spillover of violence from the Iran-Iraq war continues to threaten U.S. and free world interests in the Persian Gulf despite the success which U.S. and allied forces have enjoyed in protecting ships registered in their respective countries. Our interest in maintaining the free flow of oil from the region and our obligation to assist innocent mariners in distress whenever possible were the primary reasons for our agreeing to assist friendly non-belligerent commercial ships when under attack and desiring our help. Offering distress assistance will hopefully add to increasing international pressure for a negotiated end to the Iran-Iraq war.

Because assistance will only be rendered if U.S. forces are available in the area, it is not envisioned that additional resources will be required. As you know, however, the threat in the Persian Gulf changes over time, and we will continue to adjust our force capabilities as necessary to ensure that we are able to support U.S. policy in this part of the world.

Question: Mr. Secretary, Secretary Taft left on May 2 for a two week "burdensharing" swing through Europe and Asia in hope of persuading friendly governments to contribute more to the Defense of NATO and Asia. According to press reports, Mr. Taft on May 4, called upon our

European allies to increase their defense spending by one percent of gross national product (GNP) over the next decade. What are the prospects of achieving the one percent of GNP Defense spending increase?

Answer: Deputy Secretary Taft did not specificially ask our allies to increase their defense spedning by one percent of GNP. However, he did indicate that over the longer term -- five to ten years -- it would be reasonable to expect an increase in the relative contributions of the allies to overall NATO defense, in particular from those few nations whose contribution in relation to their ability to contribute is decidedly below the average by almost any measure or criterion.

In the short term, the prospects are poor for major increases in allied defense spending. Many allies, like the U.S., face serious limits on the resources available for defense. But in the mid to long term, we are hopeful that there will be some progress in the right direction.

Question: How would the increase in allied spending affect the U.S. defense burden?

Answer: So long as the Soviet military buildup continues -- and there has been no sign thus far of a significant reduction in Soviet defense expenditures -- all NATO nations including the U.S. must increase their defense efforts. The purpose of our burdensharing initiative is to strengthen our collective ability to deter aggression and preserve our freedom and independence. We must keep this imperative firmly in mind. Our purpose is not and should not be to permit us to reduce our defense expenditures.

AEGIS SHIPS

Mr. Secretary, for the past two years, the Congress has provided 5 AEGIS ships each year. Last year, your plan for 1989 continued this economic rate of production, but this year your budget for 1989 includes only 3 AEGIS ships.

Question: Can you tell us if there are any technical reasons for reducing this production level or was it caused by funding shortfalls?

Answer: There are no technical reasons which would preclude start of 5 AEGIS ships in FY 1989. These ships were omitted from the FY 1989 Amended Budget Submission because of fiscal constraints.

Question: Would you support restoring the AEGIS production rate to 5 ships per year if the funds were available?

Answer: Yes.

600 SHIP NAVY

Mr. Secretary, the Administration had previously planned to have a 600 Ship Navy by the end of 1989. However, under the proposed 1989 budget, the Navy will have only 580 deployable battle force ships by the end of 1989.

Question: What is the reason for this change in plans?

Answer: The $12.26 billion reduction in the Navy's

Budget in FY 1989 necessitated force structure reductions which will delay attainment of a sustainable 600 ship Fleet.

Question: Do the long range plans for the Navy provide for eventually reaching the 600 ship goal?

Answer: Yes. Under the currently approved shipbuilding plan, we will attain a sustainable 600 ship Navy in the late 1990's.

QUESTION: General Herres, can you share with us your conclusions so far as to any additional defense requirements which might result from the INF and START treaties, and as to how the START treaty might impact on our strategic programs, including MX Rail Garrison and the Small ICBM, the B-2 and B-1B bombers, the Advanced Cruise Missile (ACM), and the TRIDENT programs?

General Herres: As you know, certain additional requirements as a result of the INF treaty have already been identified. We are aware of most of the costs attendant to the On-Site Inspection Agency, but are continuing to learn more. Likewise, we are discovering that the Services and USCINCEUR are incurring costs which were neither forecasted nor programmed. For example, there will be a requirement for increased intelligence systems in order to assure a high confidence of detecting Soviet force levels and activities. Additionally, we believe that in order to continue to present a credible deterrent in NATO, it will be necessary to make certain changes in our forces, as the Chairman put it, to "rearrange the furniture". Although not related to the treaty per se, it is essential that we continue to carry out the modernization actions that have been previously identified. These modernization efforts will provide much needed strengthening of our military effectiveness, and perhaps more importantly, will demonstrate the resolve so necessary to deterrence.

Many of these considerations are also relevant to a START treaty. Substantial costs will be associated with restructuring US forces to meet START requirements, weapons destruction, implementing stringent treaty verification measures, and conducting the necessary inspections and monitoring to ensure Soviet compliance. While the INF treaty will give us some awareness of potential requirements, the scope of a START agreement would take us well beyond this level. We are in the process of determining these requirements, and will refine initial estimates as the START negotiating process continues.

In response to that portion of your question on how the START treaty might impact our strategic programs, we must first consider the dynamics of the Soviet threat. Increasingly harder targets, greater mobility in strategic forces and command control centers, extensive air defenses, and a constantly updated Moscow ABM system are but a few examples of Soviet trends which are not likely to be seriously affected by a START agreement. Despite weapon reductions, the number of targets are expected to remain relatively unchanged.

Continuation of the President's Strategic Modernization Program is essential to maintain the credibility and flexibility of our strategic forces relative to this threat. Modernized strategic systems will be especially important in the event of a START agreement because military sufficiency with limited forces can only be attained by a fully modernized TRIAD. Modernization will ensure the ability of our forces to provide an effective deterrent; increase the vitality and synergistic effect of our TRIAD; and provide an adequate, balanced retaliatory attack sufficient to deny Soviet war aims.

The PEACEKEEPER rail garrison, TRIDENT D-5, B-1B and B-2 systems will improve our ability to hold at risk Soviet hardened ICBM silos, command control centers, political/military leadership facilities, and Soviet mobile targets. Furthermore, along with its enhanced capability against strategic relocatable targets, the B-2 will also provide an effective manned penetrating bomber well past the year 2000. In addition, the ACM will improve the effectiveness of our standoff bomber systems. Deployment of Small ICBM in hardened mobile launchers would enhance force capability and survivability, but at relatively high cost. We believe strategic stability will be maintained in its absence provided a fully modernized TRIAD exists.

Base Closure Commission

Question: Mr. Secretary, the Congress is considering a base closure proposal involving the appointment of a 9 member commission which would draft a list of domestic bases that could be closed. What are your views on this proposal?

Answer: I strongly support the legislation to provide a one-time waiver of certain procedural requirements. We must stop spending money to operate bases we do not need. I firmly believe it is in the nation's best interest that streamlined processes and sound criteria for realigning or closing bases be developed, and that candidate bases be nominated and acted upon promptly.

Question: Do you think this proposal should also address overseas bases?

Answer: No. It is important that the Commissioners understand fully our entire worldwide deployments, and I have initiated a study of overseas military bases that will be provided to the Commission for its use. But the political impediments to closing overseas bases are not nearly as great as they are for closing domestic bases. We do not need enabling legislation to close overseas bases.

OPERATION AND MAINTENANCE BUDGETS

Question: Mr. Secretary, unlike the Active Forces, the operation and maintenance budgets of the Reserve and Guard components didn't fare well in the 1989 budget. For example, the active Air Force's operation and maintenance budget increases by over $2 billion in 1989, while the Air National Guard and Air Force Reserve combined increases by only $35 million, not even enough to cover inflation. Why didn't the Guard and Reserve get operation and maintenance increases commensurate with the Active Forces?

Answer: To comply with budget deficit reduction agreements, severe reductions were made to the Operation and Maintenance budgets of the Active Forces in FY 1988. These reductions resulted in Active Forces negative real growth in FY 1988 of 5.9%. In contrast, the approved FY 1988 Operation and Maintenance budget for the Reserve Forces reflects real program growth of 2.5 %. For FY 1989, both Active and Reserve Forces' programs are rebalanced to provide the highest degree of readiness for the total force within the constrained fiscal environment. The force structure of both the Active and Reserve Forces is reduced; Active Force programs are partially restored; and Reserve Force programs are brought in line with reduced funding levels.

Question: What are the impacts on training, operating tempos and depot maintenance of these reduced operation and maintenance budgets?

Answer: To accommodate budget constraints, Reserve Forces' base operations, real property maintenance, and organizational clothing and equipment (OCE) are reduced. Additionally, Army National Guard depot maintenance ($18.7 million) and flying hours (20,000 hours) are decreased. A reduction in the size of Air Force Reserve tactical fighter squadrons is also begun.

Air Force Reserve and Guard depot maintenance programs decrease ($31.5 million) consistent with changes in requirements i.e,, phased maintenance cycles, aircraft inventory changes, and one time FY 1988 requirements. Similarly, Air National Guard flying hours decrease (939 hours) consistent with changes in aircraft inventory.

Foreign Currency Underpricing

Question: Mr. Secretary, your 1989 budget uses foreign currency exchange rates that were far outdated when the Department amended its 1989 budget. Using these rates results in the 1989 Operation Budget being underpriced by $1 billion and the military personnel budget by $500 million.

Why did you approve these artificially low foreign currency rates?

Answer: During the recent budget review, the Department considered revising the FY 1989 foreign currency rates reflected in the President's budget request. However, we did not revise the rates because of the uncertainty concerning the foreign currency rates being experienced when we wrapped up the amended budget. The rates took a turn for the better at the end of December, and we hoped this trend would continue. Absent a firm basis for changing the rates, we decided to stay with those initially budgeted. Further we thought if the rates did not continue to improve, the legislative authority requested of the Congress for the Foreign Currency fund would permit the Department to solve the shortfall.

Question: How do you intend to finance these shortfalls?

Answer: If the U.S. dollar does not increase in value during the execution of FY 1989 overseas operating programs, the Department will have to transfer funds from the Foreign Currency Fluctuations, Defense appropriation to the various Operation and Maintenance appropriations in order to finance the funding shortfall. In order to ensure there are adequate assets in the Foreign Currency Fluctuations, Defense appropriation to finance the shortfall, it is essential that the Congress provide DoD with the authority to transfer unobligated balances from various expired accounts to the Foreign Currency Fluctuations, Defense appropriation. If this authority is not provided, then DoD will have to reduce other DoD programs to pay for the increased funding due to unfavorable exchange rates.

In the Military Personnel appropriations, there are few discretionary programs to be reduced to finance a shortfall of this magnitude. If the Congress does not approve the Department's legislative request to allow the Military Personnel appropriations to participate in the Foreign Currency Fluctuations, Defense appropriation, then the Department will be forced to reduce other DoD programs to pay these "must" pay bills.

BINARY CHEMICAL MUNITIONS

Question. Mr. Secretary, the House Armed Services Committee cut all funds requested for binary chemical munitions, citing producibility problems with both the BIGEYE chemical bomb and the 155mm artillery round. What is the status of these two programs?

Answer. The BIGEYE bomb completed its operational evaluation in December 1987 and the results were presented to me during a Secretarial Performance Review on December 23, 1987. In addition, two independent producibility studies were conducted in support of this review. These producibility reviews were conducted by the Defense Product Engineering Services Office and the Naval Air Systems Command. The conclusion reached by both panels was that the BIGEYE bomb is producible and is ready for limited production. Based on the preliminary operational test results and the recommendation of the producibility review teams, I recommended that the President provide the required certification to the Congress. Subsequent to this certification, contracts for the construction of manufacturing facilities were signed and the first production BIGEYE metal parts contract is now being negotiated.

The 155mm artillery projectile entered low rate final assembly on December 16, 1987. Production of components to support final assembly was initiated in March 1987. The DF manufacturing facility and the M20 canister fill and close facility are on line at Pine Bluff Arsenal (PBA) in Arkansas. The Louisiana Army Ammunition Plant (LAAP) is producing projectile metal parts and is ready to load, assemble and pack these projectiles. The Marquardt Corporation is producing the first article for the empty M20 canisters and filled M21 canister for delivery to PBA and LAAP, respectively. We anticipate completing the production of the FY 86 quantity by the close of FY 88.

Question. Can you assure the Committee that if the funds are provided you can in fact execute these programs within the fiscal year 1989 funded delivery period?

Answer. If funds are provided as requested, the BIGEYE program as currently structured is technically sound and executable within the FY89 funded delivery period. Orders for low rate production weapons will be placed on contract in May 1989 with first weapon deliveries occurring twelve months later.

With regard to the FY89 budget of $66.0 million for the 155mm projectile, the planned production reflected in the request would exceed the funded delivery period (lead time plus 12 months) by 2-1/2 months. However, we would like to hold the full request feeling that this small overrun is acceptable to demonstrate resolve in modernizing our chemical retaliatory capability. The impact on the chemical arms limitation talks and morale of our soldiers in the field warrant full support of the FY 89 request. Deletion of the quantity of projectiles exceeding the funded delivery period, as defined above, reduces the requests to $46M. Funding at this level delivers projectiles within the funded delivery period and maintains production continuity. It will require that the future budget be adjusted to maintain production continuity and planned completion of the total Army buy-out by close of CY92.

NIGHT VISION DEVICES

Mr. Secretary, in 1985 the Army signed a multi-year procurement contract for Night Vision Devices. 1989 is the final year of that contract. The budget request submitted in February does not contain adequate funding to meet the terms of that contract, resulting in substantial termination costs to the government. The Committee recently received a letter from Dr. Sculley requesting additional funding to fully support this program for 1989.

QUESTION. Given your strong advocacy of multi-year procurement contracts, why did the fiscal year 1989 budget not request sufficient funds to meet the requirements for the Night Vision Device contract?

ANSWER. Execution of the Night Vision Program was in question during preparation of the FY 89 amended budget submission. Delays in deliveries, revised schedules, and contractor problems for future AN/PVS-7 completions were considered. As a result, and with the idea of replacing the funding in the FY 90 budget, the Army reduced the level of FY 89 funding to match the projected disbursement of money. Office of the Assistant Secretary of the Army (Research, Development and Acquisition) has continued to review the AN/PVS-7 matter with the Program Manager, contractors, Army Materiel Command, and General Counsel. The Army has been assured by the contractors that production difficulties have been corrected, and that they will deliver night vision goggles in compliance with the original multi-year procurement (MYP) contract delivery schedules. If the contractors meet those contractual schedules, the government is contractually obligated to award the 5th year of the contract in FY 89, or be in breach of those contracts.Accordingly, the 5th year of the 5-year Omnibus (MYP) contracts will need full funding in FY 89.

QUESTION. Are you prepared to provide sources of funds for the additional $83 million required to meet the terms of that contract?

ANSWER: At this time we are not prepared to identify and withdraw funds from other weapon systems to support the FY 1989 $83 million shortfall in the PVS-7 acquisition. We will continue to monitor the contractors' production performances and deliveries to ascertain their compliance with the original MYP contract delivery schedules. Should the contractors meet the current schedules, the DOD will consider forwarding a Congressional reprogramming at that time to provide required funds in support of the FY 1989 Night Vision Omnibus acquisition.

Question: What benefits will be derived from breaking up the centralized installation and procurement plan for CHCS?

Mr. Carlucci: The Composite Health Care System has been years in the making and promises to be a critical factor in improving the quality of medical care for our service members and their families. We awarded the contract for completion of the system last March; operational testing of the system is now being initiated at 10 sites. If we were to discontinue centralized management of CHCS procurement and installation we would lose momentum and endanger the timely worldwide deployment of the system. Further, one of the important advantages of CHCS is the standardization of medical automation it will provide across the Uniformed Services. Abandoning centralized control of the system would endanger the standardization provided by CHCS working in conjunction with other standard medical related systems. The efficiencies and savings derived from a consistent, standard approach to automation would be lost and additional inefficiencies could result from decentralized management of the eight-year, one billion dollar contract. In the absence of a clear rationale and with no apparent benefit, breaking up the centralized installation and procurement plan for CHCS seems inadvisable. Therefore, we do not wish to change the current arrangement for managing the program.

Question: Wouldn't this critical program be better served by maintaining its strict management under the Assistant Secretary for Health Affairs, Doctor Mayer, rather than allow each Service to pursue its own options?

Mr. Carlucci: Prior to the establishment of a centralized medical automation program, each Military Department individually invested time and money in the development of automated medical information systems. One result was the substantial expenditure of resources on duplicative efforts. DoD's response to this problem was to strengthen central mangement of medical information systems.

Today the systems are managed centrally with continuous input from the Services and scrupulous attention to their needs and preferences. To maintain this balance; to ensure standard, integrated, and modern automation support for our hospitals and clinics; and to avoid costly duplication of effort in the future, our best course of action is to retain strict management of medical automation under Doctor Mayer.

MX/RAIL GARRISON AND THE SMALL ICBM PROGRAMS

QUESTION: Mr. Secretary, in your statement you express a preference for the MX/Rail Garrison ICBM instead of the Small Mobile ICBM, and you refer to the action by the House Armed Services committee to transfer about $300 million from the MX/Rail Garrison program to the Small ICBM program in the FY 89 budget; and the later action by the full House to reduce MX/Rail Garrison funding even further by another $400 million and to add $100 million more to the SICBM program. Are these diversions of funds prudent military budget decisions or do you strongly oppose these allocations due to their negative impacts on the MX/Rail Garrison program? Please elaborate, in detail, as to why the additional funds are not needed for the SICBM program and how the further reduction would impact negatively on the MX/Rail Garrison program.

ANSWER: I do not believe that the actions taken to reduce Rail Garrison are in our best interests. The Department faced severe budget decisions in FY 88 and the out years, and when we looked at the whole picture, we determined that the mobile concept of Rail Garrison offered the degree of mobility and survivability that we needed. Further, Rail Garrison can be delivered quicker and at one third the overall cost when compared to SICBM. The DOD added $200 million to the amended FY 89 President's Budget to ensure the next administration had a final opportunity to review the SICBM program. The Air Force has already implemented a plan to combine the unspent FY 88 authorization of $700 million with the proposed $200 million to keep the program alive, both from a programmatic and contractual standpoint through next fiscal year. Additional funds for Small ICBM may further extend the flight test program or keep additional contractors at work for longer periods of time, but they will not add substantially to any major milestone as the program was originally structured. If the funds are taken at the expense of Rail Garrison it significantly impacts the program's ability to complete necessary R&D in an efficient manner and will eliminate our capability to achieve the scheduled IOC.

QUESTION: Mr. Secretary, the Congressional Office of Technology Assessment has completed a major study on SDI which concludes that due to software problems, there would be a significant probability that the first time SDI would be used in a real war, it would suffer a catastrophic failure. Does the Defense Department agree or disagree with these and the other findings contained in the OTA report?

ANSWER: We completely disagree with that OTA conclusion. It is a philosophical opinion and is not based on any technical analysis. The entire U.S. offensive nuclear deterrent has never been tested as a total system, much less in wartime, but we have confidence in that capability. DOD experts experienced in military software design strongly believe that the software can be successfully developed. The battle management software for the Navy's Aegis system, which is currently operating in the Persian Gulf, must respond faster than an SDI system and represents a degree of complexity that is comparable to that required for an initial phase of a strategic defense.

While we are critical of certain OTA conclusions, there are several with which we agree. For example: SDIO has identified the major issues associated with a strategic defense system and programs are in progress to address those; an initial phase as proposed by DoD would be ready for deployment by 1995-2000; and, progress in several key areas will be slowed or halted if the Congress continues to reduce SDI funding.

Defense Science Board (DSB) Panel on SDI

Question: General Herres, the DSB panel reported that the "stepped" deployment plan it recommended would not meet the Joint Chiefs of Staff military performance requirements for SDI's current Phase One until about the fifth deployment "step". The panel recommended that the JCS address the utility of missile defenses "short of the full Phase One," and that "the military utility of the various steps (be) agreed upon".

General, have the Joint Chiefs conducted such an assessment and reached any agreement on this issue, and if not, by when could you inform Congress of your professional military judgement on these matters?

Answer: The Joint Chiefs have taken an in-depth look at ballistic missile defense operational requirements and have promulgated the results in a classified memorandum. The concept of protection against small ballistic missile attacks, including accidental launches, was included as an integral part of the Phase One requirements. These requirements set the goals for a Phase One system, but did not specify the order or manner in which those goals would be met. There is nothing in the statement of those requirements that would require or preclude a stepped approach toward satisfying the Joint requirements for a Phase One system.

QUESTION: Mr. Secretary, the DSB panel concludes that such a stepped deployment plan "eventually will lead to shorter schedules and lower costs" than the $75-$150 billion -- not including launch expenses -- now projected for SDI's present Phase One. Do you agree with this conclusion, and if so, why shouldn't the current SDI program be restructured as recommended to help us deal with our fiscal problem?

ANSWER: I am reviewing the SDI program structure in light of severe funding constraints imposed by the Congress. The recommendations contained in the DSB panel report, calling for a stepped Phase I deployment, will be considered along with a number of other alternative approaches. This assessment will be completed shortly. I plan to consult fully with the Congress on the proper structure of the SDI program.

QUESTION: Mr. Secretary, earlier last year, the DSB SDI panel recommended that the process establishing the military requirements for SDI should be broadened to include an analysis of the desirability of SDI deployment including consideration of the conditions existing if both the U.S. and U.S.S.R. have equivalent SDI systems. The DSB panel said this question might be posed as follows: If the U.S. has a choice between (1) no further ballistic missile defense deployment on either side, or (2) a U.S. ballistic missile defense system meeting JCS requirements, plus an equivalent Soviet system, which of these two alternatives more effectively enhances U.S. security?

ANSWER: Implications of the deployment of strategic defenses by both the U.S. and the Soviet Union were preliminarily addressed by the Future Security Strategy Study. This study was submitted to the President in October 1983. Other studies have been conducted since that time. The JCS addressed the issue in their assessment of requirements for an initial phase of a strategic defense system. We continue to address the issue of two-sided defenses and intend to have a more comprehensive analysis later this year. Previous results clearly indicate a situation where the Soviet war planner is much less confident of achieving his aims, and that decreased confidence results in increased deterrence and more security for the U.S.

QUESTION: Has such an analysis been done as recommended by the DSB panel, and if not, why not?

ANSWER: We are beginning a study of broader deterrence issues and anticipate initial results within a few months.

Fixed Priced R&D Contracts

Mr. Secretary, one of your major procurement initiatives when you were Deputy Secretary of Defense was to "... assure use of appropriate contract type." In the six years since, we have seen the use of fixed-priced types of contracts for research and development work increase, counter to the thrust of your initiative.

Last year, this Committee attempted to deal with this matter in Section 8118 of the Continuing Resolution by precluding the use of fixed-priced contracts for research and development work except where the Undersecretary of Defense determined, on a case by case basis, that it is appropriate. We are now informed that every waiver being requested by the services is being granted.

Question: How many waivers of the Section 8118 restriction have been applied for by each of the Services?
Answer: As of May 10, 1988, the Air Force has applied for four and the Navy for five. As of this date, the other DoD Components had not applied for any.

Question: How many waivers has the USD(A) granted for each of the Services?
Answer: As of May 10, 1988, the USD(A) has granted one of the Air Force requests and three of the Navy ones. The other requests were still being reviewed as of that date.

Question: When a waiver is requested, does the USD(A) make an independent assessment of the technical risk involved?
Answer: Yes. The request is reviewed by technical and contracting personnel on the USD(A)'s staff.

Question: How many of the waivers granted so far were based upon a Service's determination of sufficient reduction of the contractor's technical risk without an independent USD(A) review?
Answer: None.

ROLAND AIR DEFENSE EQUIPMENT DISPOSITION

QUESTION. Mr. Secretary, the Army is planning later this year to inactivate the New Mexico Army Guard Battalion equipped with the Roland air defense system Would you provide for the record the Department's plan and schedule for the redeployment or to otherwise dispose of these assets.

ANSWER. Yes, due to high O&S costs and required contractor maintenance support, the 5th Battalion, 200th ADA, will be converted from a ROLAND Battalion to a Chaparral Battalion and remain in New Mexico. The Roland fire units will be displaced during the fourth quarter FY 88. They will be replaced by Chaparral fire units during the first quarter FY 89. Final disposition of the Roland fire units have not been determined. Initially, they will be placed in temporary storage in the McGregor Range/Ft. Bliss, Texas area. The Army is exploring several options for final disposition. These options include transfer to another service, transfer or sale to allies through the Foreign Military Sales or Security Assistance programs and use as surrogate Soviet air defense systems at the National Training Center. After thorough evaluation of these options, if any are found to be feasible, they will be prioritized and supported in accordance with the established priority. We anticipate a final decision will be made during FY89.

Question: Mr. Secretary, several years ago the Department entered into a program with the Federal Republic of Germany to cooperatively increase the air defense coverage over the forward battle areas and around our co-located operating bases in Germany. Would it be possible to offer the in-activated Roland systems to the FRG to further increase the air defense coverage around co-located operating bases or POMCUS sites? What might this program cost the US government?

Answer: During the course of air defense negotiations with the FRG in 1983, we addressed the possibility of offering the US-produced Rolands to the FRG to provide air defense coverage of US facilities in Germany. The proposal was quickly discarded, however, because the Germans could not man or support the system, owing to the great differences between the US and FRG Rolands.

QUESTIONS SUBMITTED BY SENATOR BYRD

Persian Gulf: Incremental Cost

Question: Did the recent U.S.-Iranian naval confrontation in the Persian Gulf alter this estimate in any way?

Answer: The U.S.-Iranian naval confrontation may have generated some additional one time costs. However, the costs will not be significant enough to change the monthly average costs.

Question: Congress appropriated an extra $100 million in fiscal year 1988 to cover incremental costs in the Persian Gulf. When will this funding be exhausted?

Answer: The funding will be exhausted in June.

Question: Does the administration plan a fiscal year 1988 supplemental request to cover incremental costs in excess of $100 million? If not, how will these uncovered costs be absorbed?

Answer: There are no plans to submit a supplemental request for Persian Gulf operations in FY 1988. However, the Navy has requested a reprograming increase of $28 million to their operation and maintenance account to offset the additional costs of the Persian Gulf operations. The source of the funds is the Navy procurement accounts.

PERSIAN GULF: EXPANSION OF US ROLE

Question: What criteria will be used to determine which non-US flagged ships are to receive US protection?

ANSWER: (Deleted).

Question: How much flexibility will the on-scene commander (OSC) be given in making this determination?

ANSWER: (Deleted).

Question: What limits will ensure that this new role will not expand over time into something greater?

Answer: The decision to offer assistance to friendly nonbelligerent ships transiting international waters in the Persian Gulf was based upon three grounds - the right of collective self-defense and to intervene with force when innocent mariners are subjected to barbarous attack, military prudence, and moral considerations.

Our assisting friendly non-belligerent commercial ships when asked is consistent with international law on the use of armed force. The employment of force in this manner constitutes the lawful exercise of the right of collective self-defense. Moreover, international law also recognizes the right, if not the duty, to engage in humanitarian intervention when the crews of unarmed merchant vessels are being maimed and killed by sea-going terrorists.

Military prudence was also a factor. Before this expansion occurred, Iran was using lethal force in conducting attacks on neutral vessels in international waters bound for non-belligerent ports. This was often done in the immediate vicinity of US warships and US-flagged merchant ships where the possibility of inadvertent engagement was increased. Commanders had to make very fine distinctions as to whether they were being targeted themselves, or perhaps it was another ship in the vicinity. Iran now clearly understands that we will not permit such attacks in the vicinity of US warships.

There was also a definite moral and ethical perspective in this decision. All that we have traditionally stood for was being tested as we watched those who could not protect themselves be savaged by those who have no respect for the rule of law. While the United States cannot be the world's policeman, we should be responsible citizens wherever we find ourselves around the world.

QUESTION: How has the recent U.S.-Iranian Naval confrontation in the Gulf and the newly expanded protective role of U.S. forces there altered the Administration's position on the applicability of the War Powers Resolution to the situation in the Gulf?

GEN HERRES: On April 19, 1988, the President filed a report with Congress describing the events and activities of April 18, 1988. In that report he noted that it was being filed consistent with the War Powers Resolution and that all actions were completed and the matter was considered closed. The recently approved authorization for U.S. forces to provide "distress assistance" upon request to neutral, friendly shipping in the Gulf under unlawful attack by a belligerent should have a deterrent effect and prevent such attacks in the future. It is still the Administration's position that imminent involvement in hostilities is not clearly indicated by the circumstances in the Gulf.

Question: How will the expansion of the role of the United States in the Gulf affect the possibility of an escalation of the Iran-Iraq war or of the United States being drawn into an ever more direct role as a participant?

Answer: The United States is not now and has no intention of becoming a participant in the Iran-Iraq war. While Iranian attacks on innocent merchantmen did not occur before the onset of the current conflict between Iran and Iraq, providing assistance to those vessels is not in any way a direct involvement in the Iran-Iraq war. Iran and Iraq have belligerent rights under international law, and the United States has no intention of establishing any policy or adopting any role which would constrain those rights. However, neither Iran nor Iraq should be violating the rights of other nations engaged in innocent commerce through international waters.

Iran's next moves cannot be predicted with any certainty and could involve more direct military or terrorist actions against United States forces. Should this unfortunate occurrence take place, it would not be an escalation of the Iran-Iraq war, but rather an Iranian challenge to the United States while in the midst of a war with Iraq.

From a purely military perspective, Iranian threats against United States forces would mitigate against an escalation of the Iran-Iraq war in that Iranian assets would have to be diverted away from the war front for this mission and would probably suffer battle damage which would reduce their total capability.

Extending assistance to innocent vessels in the Gulf will not draw the United States into a participant role because we have no intention of attempting to aid or defeat either belligerent. We continue to pursue an equitable, negotiated settlement of the Iran-Iraq war.

Question: Are U.S. Forces now on a slippery slope toward greater involvement in the war?

Answer: No. We are not now involved in the Iran-Iraq conflict and have no intention of becoming involved. Our position has been one of neutrality from the beginning of this tragic war and we have been diligent in pursuing an equitable solution through the United Nations. Illegal attacks on innocent ships transiting international waters will continue to be condemned without regard to which belligerent perpetrates such an attack. The focus of the US policy is to provide assistance to innocent vessels under attack, not against any particular attacker.

Question:Within the year it is probable that the United States and its NATO allies will be entering new negotiations with the Soviet Union and Warsaw Pact seeking to reduce conventional military forces in Europe. This is the first time that all members of each alliance will be active participants in conventional arms reductions talks. A critical concern is the unity of the NATO position during the course of these negotiations, particularly given the expected "bloc" unity of the Warsaw Pact members. What organization steps and mutually acceptable strategy through the course of the negotiations? Do you see any salient acreas where differences of opinion among NATO members about goals or approaches to conventional arms control will require reconciliation?

Answer: In May 1986, the Ministers of the North Atlantic Council set up a High Level Task Force (HLTF) on conventional arms control to design an agreed Alliance position on the objectives and modalities of new conventional negotiations. At the March 1988 NATO summit in Brussels, Alliance leaders enunciated the following goals, based on agreement in the HLTF and subsequent acceptance by the Warsaw Pact, for the proposed talks:

- -- establishment of a secure and stable balance of conventional forces at lower levels;
- -- elimination of disparities prejudicial to stability and security; and
- -- as a matter of high priority, elimination of the capability for launching surprise attack and for initiating large-scale offensive action.

The HLTF also serves as the NATO forum for deliberation and decision making with respect to the development of an Alliance conventional arms control proposal. There is already consensus on the major elements of an approach. Given Eastern conventional superiority across the board, negotiations will need to focus on ground forces and particularly those forces such as tanks and artillery that are necessary to seize and hold territory.

Once actual negotiations begin, which we hope will be this year, instructions to negotiators will be sent through the HLTF. It is to be expected that any alliance of 16 sovereign nations will confront differences of opinion about approaches to conventional arms negotiations. However, the HLTF process has already proven itself effective in building NATO consensus. We believe it will continue to fulfill this function as the talks proceed.

Question: In January 1988 the Commission on Long-term Strategy submitted to you its mandated report, "Discriminate Deterrence." The report presents extensive policy recommendations for the Department of Defense, and will be supplemented with a series of follow-on reports during the course of the year. At the same time, within the Department you have established the Competitive Strategies Council to develop and guide DOD's long-range policy. Have you found the policy recommendations of these two bodies to be compatible? What is the difference in these organizations' purpose and scope? What has been the reaction of our NATO allies to the recommendations of the Commission on Long-term Strategy and the initiatives of the Competitive Strategies Council?

Answer: The Commission on Integrated Long-Term Strategy was established in October 1986 to provide a report on future US military strategy to the Secretary of Defense and the Assistant to the President for National Security Affairs. The Department of Defense Competitive Strategies Council -- chaired by Secretary Carlucci and including in its membership the Deputy Secretary, both Under Secretaries, the Service Secretaries, the Chairman and members of the Joint Chiefs of Staff, and the Directors of DIA and NSA -- was formed in 1987 as a tool for making strategy and defense resource allocation decisions. The Commission is an independent, bipartisan, non-governmental body whose recommendations for an integrated long-term U.S. strategy over the next 20 years are not an expression of U.S. government policy; the Council operates within agreed U.S. and NATO strategy in an effort to align enduring U.S. or allied strengths against enduring Soviet weaknesses over the next 5-15 years, with the goal of creating new or improved Western military capabilities in high leverage areas.

The policy recommendations of the two bodies have differing bases and, therefore, overlap only coincidentally. In that the Commission addresses how it believes U.S. policy toward our broad global interests should evolve over the longer term while the Council works within present U.S. and NATO policy in seeking to make the Alliance's deterrent Flexible Response strategy more credible and effective, one should not be surprised that differences exist between the two. Nevertheless, the Long-Term Strategy report notes the importance of competitive strategies for both maximizing the efficiency of U.S. defense spending and exploiting U.S. technological advantages in such areas as stealth, precision guided munitions, ballistic missile defense, and space.

Reaction of our NATO allies to the ideas put forward by both groups has been fragmentary and, in the case of the Commission's recommendations on Discriminate Deterrence, uneven.

The few allies with whom we have discussed Competitive Strategies conceptually and illustratively have indicated a strong interest in this approach. We plan more extensive consultation within NATO as our work in these areas progresses. Initial allied response to Discriminate Deterrence was much sharper, ranging from unenthusiastic to highly critical. Many are concerned that the report signals a possible nuclear decoupling of the U.S. from Europe. Nevertheless, the Commission does endorse undiminished U.S. support for our alliance commitments, including a strong re-endorsement of forward deployment and the U.S. nuclear guarantee for the Atlantic Alliance.

TACTICAL AVIATION

QUESTION: There have been recent reports of an emerging gap in the combat readiness of our tactical aviation forces. In response to the current budget crunch, it appears that training, maintenance, and procurement of spare parts are being sacrificed to fund major weapon systems. Air Force officials have said that pilots are not flying enough, engines are going without normal maintenance, and spares are not being bought in sufficient quantities. The Navy's plans for FY-90 have projected significant reductions in procurement of spare parts and munitions, which some see as seriously impeding our ability to respond to third world crises. Please comment on the outlook for combat readiness of U.S. tactical aviation forces. To what extent have the training flight hours of Air Force and Navy combat pilots been reduced during the past three years (FY-86 to FY-88)? What levels of training flight hours do you now project for FY-89 and FY-90? How do you view the effects of reduced readiness levels on our ability to meet third-world threats?

ANSWER: Combat readiness of our deployed units is expected to remain constant in FY-89, however, our overall total force mission capable rate may fall to 70.5 percent from a high of 73% in 1987. This is due in part to reductions in spares (APN-6) to achieve a balanced budget. As readiness indicators typically lag spares funding by 2-4 years, the full impact of spares reductions is not immediately apparent. However, any further reductions will cause a disproportional adverse readiness impact. Units between deployments and not yet operational will bear the brunt of readiness reductions.

Fleet training flight hours for the Navy and Marine Corps are budgeted as follows: (a) Tactical Air/ASW-day-to-day flight operations of Navy and Marine Corps fleet squadrons, including deployed operations, are budgeted for aircrew training, and (b) Fleet Air Training-flight operations of Fleet Readiness Squadrons (FRS) required to prepare aircrews for assignment to fleet squadrons. Fleet Air Training hours provide initial and recurring flight training by particular aircraft model for aircrew ordered to fleet squadrons.

a. TACAIR/ASW - hours per crew per month for Navy/Marine Corps appear below (low execution in FY-86 influenced by Gramm-Rudman-Hollings mandated reduction):

Fiscal Year	86	87	88	89
Hours/Crew/Month	24.2	24.9	24.6	24.7

FY-90 is programmed to maintain this level of flight activity. The above figures display a level program and not one that is in decline.

(b) Fleet air training - total hours for this category are depicted below:

Fiscal Year	86	87	88	89
Total FRS Hours	248,721	256,202	252,423	254,790

This account was reduced by Congress in FY-87 by $40.0 million to a total of 247,239 hours. The FY-87 execution figure shown above depicts the reprogramming required to satisfy student flow. The program has been essentially leveled after that reduction and continues as such into FY-90 (there is a modest incremental growth in FY-89 and FY-90 associated with Marine Corps transition from the F-4 to the F/A-18 and the standup of a Marine fleet readiness squadron for F/A-18 training).

Given the current resources and deployed commitments, naval aviation is stretched. Deployed operations driven by world events are presently accommodated by reducing nondeployed flying. Further accommodation in nondeployed flying is not prudent both for safety and readiness-mobilization reasons. Under today's constraints, Navy tactical air deployed forces are ready and proficient to meet the third world threat. Nondeployed forces are maintained at a lower readiness level than in the past and, if required to immediately augment deployed forces, would require a longer mobilization period or would risk deploying in a reduced readiness condition.

TACTICAL AVIATION

QUESTION: There have been recent reports of an emerging gap in the combat readiness of our tactical aviation forces. In response to the current budget crunch, it appears that training, maintenance, and procurement of spare parts are being sacrificed to fund major weapon systems. Air Force officials have said that pilots are not flying enough, engines are going without normal maintenance, and spares are not being bought in sufficient quantities. The Navy's plans for FY90 have projected significant reductions in procurement of spare parts and munitions, which some see as seriously impeding our ability to respond to third world crises. Please comment on the outlook for combat readiness of U.S. tactical aviation forces. To what extent have the training flight hours of Air Force and Navy combat pilots been reduced during the past three years (FY86-FY88)? What levels of training flight hours do you now project for FY89 and FY90? How do you view the effects of reduced readiness levels on our ability to meet third-world threats?

ANSWER: In the FY80-87 timeframe, the USAF was able to significantly increase the combat capability of the Tactical Air Forces (TAF). Flying hours per pilot per month (HPM) increased from 15.6 in FY80 to 19.5 in FY87. Throughout the TAF, the realism, intensity, and frequency of training events accomplished with each flying hour improved dramatically. For example, within the Tactical Air Command (TAC) from FY80-FY87:

- Red Flag sorties increased by 87%
- Joint Exercise Participation up 89%
- Overseas (Checkered Flag) deployments up 68%
- Air to Air training sorties up 51%

All of these increases in activity were accomplished while lowering the TAC mishap rate by 47%.

It is apparent that in terms of training activity or OPTEMPO, FY87 was the closest approach to full combat capability across the spectrum of possible mission taskings. O&M and direct flying hour reductions in FY88 will reverse USAF progress. For example, O&M shortfalls have forced TAC to cancel one entire Red Flag exercise and all of the TAC funded Checkered Flag exercises. Additionally, the programmed TAF HPM drops from 19.5 in FY87 to 18.2 in FY88 due to congressionally directed flying hour reductions. Further drops in this figure are expected if the USAF O&M reprogramming request is not approved, and there are not sufficient funds to execute the current program.

The following reflects executed HPM in the TAF for FY86-87, and programmed HPM for FY88, 89, and 90. The FY88 figure does not include possible additional reductions due to O&M shortfalls:

FY86	FY87	FY88	FY89	FY90
18.8	19.5	18.2	19.3	19.3

The programmed figures in FY89 and 90 represent the HPM required to sustain minimum levels of capability across the spectrum of possible mission taskings.

Any reduction in combat capability in the TAF will initially impact the capability to respond to short notice or contingency taskings which may require the employment of advanced capabilities. This will significantly reduce USAF flexibility to support national security objectives, particularly in third world crisis situations.

U.S. - Soviet Defense Spending

Senator Byrd: The Central Intelligence Agency (CIA) and Defense Intelligence Agency (DIA) reported on April 13 that the Soviet economy continues to stagnate, despite Gorbachev's efforts at economic reform and modernization. (Soviet GNP growth is estimated at 0.5% for 1987.) CIA/DIA also estimate that Soviet defense procurement continues to grow in real terms by about 3% a year, although the 1988 edition of DOD's Soviet Military Power notes that in 1987 the U.S. and the Soviet Union spent about the same amount on weapons, when measured in dollars. On the basis of the intelligence community's assessment of the Soviet economy, some commentators, notably William Safire, have cited estimates of the Soviet defense burden, or the percentage of Soviet GNP devoted to defense, that are far larger than the official 15-17% estimate of the intelligence agencies. How large is the Soviet defense burden? What opportunities exist for the United States to take advantage of Soviet economic problems in reducing the Soviet military threat? What implications do recent trends in Soviet defense spending have for the proper size of the U.S. defense budget?

Answer: The 1988 edition of Soviet Military Power indicates that, for the first time since 1970, the total U.S. and Soviet defense programs in 1987 are roughly equal in size when measured in dollars (page 32) and that U.S. procurement expenditures for 1987 are about 32 percent greater than comparably defined Soviet procurement costs (page 140), as a result of the rapid build-up by the United States during the 1980's.

DIA estimates that the Soviet military absorbs about 15-17 percent of the Soviet Gross National Product (GNP). This estimate is limited to a financial measure of the defense burden. If other, nonquantifiable factors could be added, such as the full costs of the military's priority access to the nation's best human and material resources, the resulting defense burden would be significantly larger. A broader "burden of empire" estimate would also include additional, measurable programs such as foreign military and economic aid and less easily quantifiable items such as the potential military role of Aeroflot, the Soviet state airlines. However, the Intelligence Community normally uses a narrower definition of defense, more akin to DoD budget categories, in its burden calculation.

The accuracy of the burden estimate, regardless of the conceptual base, depends on the accuracy of the estimates for defense spending and GNP. Recently, several outside experts, while accepting the Intelligence Community's defense spending estimates, have claimed that the Soviet economy is significantly smaller than assessed by CIA. Therefore, these experts say, the military burden is much larger than estimated, placing Gorbachev under far greater pressure to reduce military spending than Western analysts have thought.

Western analysts have long recognized significant inaccuracies in Soviet economic statistics, and substantial efforts within the Intelligence Community are made to develop estimates of Soviet economic performance taking into account these shortcomings. Intelligence Community estimates correct for inherent flaws that exaggerate actual economic growth and reconstruct Soviet data in terms comparable to Western GNP accounting practices. Soviet statistics, despite their flaws, must be used, since there is no other way to collect the vast data necessary for any serious and comprehensive estimate. The key to interpreting Soviet economic data is how much adjustment must be made for problems like hidden inflation (that is, price increases for Soviet goods, especially manufactured products, which are not justified by higher quality, capacity, etc.). The Intelligence Community has generally taken a conservative approach in adjusting Soviet data. These adjusted statistics, because of their comprehensiveness, have been widely accepted in the West as the best available measure of the Soviet economy.

Some Soviet economists themselves are now questioning the validity of Soviet economic statistics. These Soviet critics believe that the prices assigned to Soviet products greatly overstate their quality, thus inflating the actual size of the economy. DIA has consistently noted the weaknesses and overstatement in Soviet statistics. However, because DIA's measures are intended to capture the perspective of the Soviet leadership on their country's economic performance, the official data provide an important and useful tool. Further, CIA's measures attempt to rigorously and methodically adjust for overstatement by estimating "real" growth, i.e., excluding the effects of inflation. It will remain extremely difficult to estimate what additional adjustments should be made until more reliable data become available, either from official Soviet sources or their unofficial Soviet critics.

While the issue of the size of the Soviet economy is important, it does not appreciably affect DIA's assessment of the Soviet military-economic environment. However one estimates its "actual" size, the Soviet defense burden is very high and has increased substantially over the last 20 years. The defense burden has been a major cause of declining growth rates and severe economic problems. The large resource demands of Gorbachev's industrial modernization program have probably created a strong economic incentive to lower the Soviet defense burden. Nevertheless, the economy has borne a heavy defense burden for many years and is not on the verge of collapse. Military spending has continued to increase under Gorbachev. Gorbachev's primary concern appears to be that the U.S.S.R. will not possess the industrial capability to fulfill future economic and military requirements unless action is taken now to achieve major economic reform and thorough technological modernization, which may require some short-term constraints on defense.

Soviet economic problems present some potential opportunities for the West to seek to reduce the Soviet military threat. Even though Gorbachev has stressed the importance of self-generated technological development, legally and illegally acquired Western technology will continue to play a critical role in Soviet weapons development and economic modernization. Effective, coordinated restrictions on the flow of technology to the Soviet bloc can make Soviet weapons development more costly and time-consuming, while complicating the leadership's choices in allocating available technological resources among weapons production and production of modern machinery to renovate the industrial base. Likewise, effective, coordinated restrictions on general trade and hard currency flows could make it harder for the Soviets to draw on Western resources to compensate for domestic economic shortcomings and to avoid tradeoffs in civil-military resource allocations.

While military requirements based on political and doctrinal objectives remain the dominant factor in Soviet arms control positions, the Soviets have an important economic incentive to reach arms control agreements. This incentive is to slow Western force modernization and reduce the need for substantial increases in Soviet military expenditures, while Gorbachev concentrates on modernizing the economy.

QUESTION: It appears that Soviet forces are actually preparing to withdraw from Afghanistan after almost nine years of warfare in that country. What have we learned about the military capabilities, performance, strengths, and weaknesses of the Soviet Armed Forces from watching their military operations in Afghanistan? Which previous assumptions about the Soviet military were confirmed in Afghanistan, and which were proven wrong? Based on the Soviets' Afghan operations, what aspects of the Soviet military may appear reassuring to us, if we contemplate the possibility of armed conflict with the Soviets in Europe? Which aspects may give us cause for concern? What specific U.S. military procedures, tactics, or weapons have already been modified in response to Soviet experiences in Afghanistan?

ANSWER: What we have learned about Soviet military capabilities, performance, strengths, and weaknesses from their Afghan campaign provides the United States with insight into how the Soviets might conduct a future counterinsurgency campaign against guerrillas in a rugged, mountainous country. In general, however, it offers the United States few insights, and provides the Soviets with few useful lessons about how they might better fight, for example, a full-scale conventional war with NATO in Europe.

Soviet forces in Afghanistan fought under special conditions and unusal constraints that they are unlikely to encounter in a war in Europe. With the possible exception of the initial period following the Soviet invasion, during which the Soviets attempted to squash the resistance to Communist rule, Moscow has not expected military victory as such from its forces. The Soviets early on adopted a long term strategy designed to outlast and wear out the Mujahideen, while building up the Kabul regime and gradually handing over to it more and more of the tasks necessary for final consolidation of control. The limited force the Kremlin deployed in Afghanistan (about 120,000 at its peak) was restricted in what it could accomplish, and the Soviet leadership knew this well. Moreover, Soviet leaders have consistently insisted on keeping casualties low, precluding Soviet commanders from executing the full range of tactical options. Neither of these self-imposed constraints would be operative in a war with NATO, because the stakes involved would be measurably higher. Thus restricted, the complete range of Soviet military capabilities was never employed in Afghanistan. Finally, Mujahideen capabilities against Soviet forces were very limited, and, therefore, Soviet vulnerabilities which NATO forces could be expected to target were, for the most part, impossible for the Resistance to exploit.

The issue of the applicability elsewehere of Soviet "lessons learned" in Afghanistan was addressed by Soviet Marshall Kulikov in April 1987, when he stated: "In general, it is difficult to apply the experiences of Afghanistan to a modern war such as could be waged in Europe...war in Afghanistan is very strange." The above notwithstanding, some lessons useful to a war in Europe were learned, including the combat employment of helicopters, operations in mountainous areas, and countermeasures to the threat posed by anti-aircraft weapons. Some improvement in institutional knowledge regarding the planning, command and control, and execution of combined arms operations will also be of benefit. In every case, however, the Soviet military will bear in mind that the scope, pace, intensity, and combat capability of their foe will be much greater in any war with NATO than it was in Afghanistan.

Perhaps the principal assumption about the Soviet mlitary which was confirmed by Afghanistan is that the Soviets were prepared to use military force in pursuit of a national aim. Perhaps the key assumption proven wrong has been that once the Soviets had opted to use force, they would use as much as necessary to achieve their objective.

Based on Soviet operations in Afghanistan, the aspects of the Soviet military that can either reassure us or be a cause for concern for the United States in the event of a war in Europe, involve Soviet officers and soldiers. On the one hand, the quality of Soviet infantry -- infantry remaining a vital component of every army in every type of war --

appears to be mediocre. Moreover, many Soviet officers appear to be lacking in initiative and leadership qualities. This may well also be related to the continuing Soviet tendency toward centralized decision-making in the military as well as in other spheres. On the other hand, a considerable number of Soviet officers now have combat experience, and, more importantly know how Soviet troops react under fire. Providing Soviet officers and men with a taste of what war is really like probably outweighs any technical or tactical knowledge gained as "lessons learned."

QUESTION: Over the past year, the Strategic Defense Initiative program has developed fairly focused missile defense deployment objectives for the 1990s and is currently working toward those objectives with a substantial portion of the SDI budget. On the Hill, there is growing interest in deploying a much more limited defense system that might be capable of providing some defense against accidental or unauthorized missile launches. At the same time, there is now and for the foreseeable future a budget crunch that will force consideration of key tradeoffs within the SDI program. In light of these constraints, how realistic is it to pursue simultaneously development of a limited accidental launch protection concept, a more extensive Phase 1 program, and long-term ballistic missile defense system? Should all these efforts be pursued with equal force?

ANSWER: We are just now concluding a study of the concept of a limited strategic defense system. The results of that are not yet available, but will be shared with the Congress as soon as possible.

Regardless of the outcome of that initiative, we should not allow ourselves to be diverted from the fundamental goal of effective defenses meeting our criteria for deployment. A limited defense system which could be built to protect against accidental or unauthorized launch of ICBMs should not be an end in itself; rather it should be a step on the path toward a strategic regime in which deterrence is increasingly based on defense rather than offense. This approach would necessitate an investment concurrently in both the initial step and the research to pursue the follow-on steps to the complete defense.

QUESTION: START involves a limit of 4,900 ballistic missiles (ICBM plus SLBM) warheads, yet both the Navy and the Air Force would like to increase their share of such warheads well beyond present levels. Clearly both shares could not be increased; one must fall as the other rises. What planning has been done on allocating ballistic missile warheads to the Navy and Air Force under START? To what extent is such planning reflected in the FY89 request? Can we build 20 Trident submarines within START constraints and still have enough warheads left for ICBMs? Is there any danger that Trident submarines for which FY89 authorization is requested for construction or long leadtime items would have to be scrapped in order to deploy ICBMs under START?

ANSWER: We have not formulated any specific force structure within proposed START constraints. However, extensive analysis has been performed on hypothetical force structures with regard to proposed limitations.

There is no question that we can build 20 Trident submarines under our START proposal. If we were to engage in downloading, we could go considerably above that number should we choose to do so. There is no possibility that any Trident now under construction or planning would have to be dismantled.

CANADIAN SUBMARINE PROGRAM

QUESTION: President Reagan recently announced his support for the Canadian government's plan to acquire a force of 10 to 12 British- or French-designed nuclear-powered attack submarines (SSNs). Since the nuclear power plant in the British SSN is a descendant of a U.S. design, the Canadians could proceed with the acquisition of the British SSN only with the approval of the Administration and Congress. The Defense Department reportedly opposed the idea of Canada's acquiring the British design, in part over the issues of operating safety, use in sovereignty patrols, and technology proliferation. Is the Department of Defense, including the office of the Naval Nuclear Propulsion Program, now satisfied that the Canadian government will build the necessary shore support structure and take all the other expensive steps necessary to ensure that Canada will operate their SSNs with the same degree of safety as the U.S. operates its own? Is DOD, including the Office of the Naval Nuclear Propulsion Program, satisfied that the Canadian government's cost estimate for the SSN program is realistic, and that the Canadians fully understand and appreciate all the costs of operating a force of SSNs? What assurances has the Administration received from the Canadian government that the SSNs won't be used for sovereignty patrols against U.S. SSNs? Will the President's decision to support the Canadian program make it more difficult for the U.S. government to turn down any future allied request for access to submarine-related nuclear power plant technology? IF not, why not?

ANSWER: The President's decision to support release of U.S. nuclear submarine information to permit Canadian procurement of British TRAFALGAR submarines was conditioned on the Canadians selecting the U.K. design and negotiating acceptable modifications to the U.S./Government of Canada Agreement for cooperation in Atomic Energy matters for mutual defense purposes. These negotiations are presently under way and may help resolve some of the concerns expressed above.

I know of no ironclad way for the U.S. to ensure that Canada will provide the necessary shore support; the same degree of safety as in U.S. ships; or realistic cost estimates; or, for that matter, that the ships sometime in the future will not complicate the sovereignty issue. As in the case of most international agreements, we will have to rely heavily on the representations of the other party to the agreement.

Presuming that Canada satisfies the conditions of the President's decision, the Atomic Energy Act provides Congress a 90-day review period which would be a more appropriate time to address these areas in light of a final negotiated agreement.

Naval Arms Control

QUESTION: As noted earlier this year by the Director of Naval Intelligence, the Soviets over the past two years, and particularly in the last several months, have made numerous proposals for various forms of naval arms control, including: mutual withdrawals of U.S. and Soviet naval forces from the Indian Ocean and the Mediterranean Sea; limitations or restrictions on naval activity in the Pacific Ocean, the Baltic, North and Norwegian Seas, and international straits and major shipping routes; prior notification of naval exercises; and safety zones for ballistic missile submarines (SSBNs). What is DoD's position on these proposals, and on the desirability of naval arms control in general? How has the Administration responded to these proposals? Does the Administration have any plans to engage in active negotiations with the Soviets on the topic of naval arms control? If not, why not? In what bilateral or multilateral forum would these negotiations take place? What relationship would such negotiations have to current arms control negotiations, particularly those relating to conventional ground forces in Europe? What agencies or offices are involved in developing the Administration's position on naval arms control? How should naval arms control fit into our arms control policy and national security strategy?

ANSWER: The U.S. and its allies are a maritime coalition united against a land coalition: as such it is imperative that the U.S. maintain control of the seas to protect our global interests and preserve our alliance structure. Our world wide alliance commitments rely on U.S. reinforcement to deter and if necessary repel Soviet invasion. Ninety-five percent of reinforcement and sustainment goes by sea. In the post-INF context, naval forces are increasingly important factors in assuring the NATO strategy of flexible response. The NATO High Level Group report, approved by NPG ministers in April, is studying how to implement agreed force structure changes. Soviet efforts to capture western maritime forces in an arms control web aim to undercut U.S. and NATO flexibility and impair essential linkage. This is analogous to their efforts in response to the 1979 NATO Dual Track Decision, with the ultimate objective of creating a split in the alliance. Therefore, it has been the U.S. position through both Democratic and Republican administrations that naval forces will not be considered for any type of arms control, either

Naval Arms Control

reduction or constraints, until the Soviets agree to reduce the huge land forces which threaten our allies. Only when the conventional land imbalance has been corrected and we reach a state of stability on land would the U.S. consider examining whether discussions with the Soviets on world wide naval arms control is in our interest. A future forum for such hypothetical discussions has not been addressed.

B-1B

QUESTION: Recent reports, as well as information that has been issued over the past year from a number of sources, including knowledgeable Members of Congress and the General Accounting Office, indicate that many things are wrong with the B-1B. Even according to the Air Force, the main defect of the B-1B -- its defensive avionics system -- will not work as planned until 1991. This is five years later than originally scheduled. By all accounts, the B-1B's effectiveness is largely dependent on the proper working of its defensive avionics system. Given that Soviet air defenses will also improve over the next three years, why should we think that the B-1B will ever be an effective penetrating bomber in a nuclear war fighting situation? Is it not realistic to say that the B-1B in 1991 will be obsolete for the penetrating bomber mission, or that it will have been made redundant by the B-2? Current legislation is calling for testing the B-52's defensive avionics system on the B-1B, in hopes that it may prove more workable than the defective system the Air Force is trying to perfect. How, then, can the Air Force say with any credibility, as it has, that the existing fleet of B-1Bs is now prepared to perform its penetrating bomber mission. A report to Congress from your Department on the penetration capability of the B-1B was due March 1. Why will it take until the end of the summer to produce this document?

ANSWER: The B-1B is an extremely capable weapon system that complements our nation's Strategic Triad. As in any major development program, problems are identified in test and are subsequently resolved. With the exception of electronic countermeasures (ECM), the major B-1B developmental challenges are behind us. Regarding the ECM problem, the Air Force has developed a sound ECM recovery plan which is reflected in the B-1B ECM test plan sent to Congress in February 1988. In this plan we outlined the test objectives, success criteria, and schedule for the development efforts which will continue through September 1989. Retrofit will begin in 1989 and continue through March 1992 with the completion of the last aircraft.

Since the initial operational capability (IOC) of the B-1B in October 1986, the B-1B has been fully integrated into the Single Integrated Operational Plan (SIOP). The B-1B brings an added dimension to the SIOP penetrating force, flying much faster and lower than the B-52 while carrying twice the internal payload. There is nothing today that matches the overall capabilities of the B-1B as a strategic penetrator.

Penetration effectiveness is the product of a number of inherent and dynamic factors and is not totally dependent on the defensive avionics system. The B-1B has inherent design and performance characteristics (ie. low radar cross section, high speed, low altitude flight profile, and electronic countermeasures) which make the B-1B a very effective penetrator in today's threat environment. Within the context of the SIOP, the survivability of the B-1B is also maintained through optimization of tactical route planning and threat suppression. The completion of the ECM recovery plan will add the final dimension to this already capable system. The B-1B is, and will continue to be, an effective penetrator through the mid-1990s; however, modifications and improvements will eventually become necessary in order to meet operational requirements in light of evolving threats.

With regard to proposed legislation for testing alternative defensive systems on the B-1B, the Air Force has evaluated the feasibility of integrating the ALQ-172 on the B-1B and concluded, based upon cost, schedule, and operational considerations, that it is not an effective alternative to pursue at this time. Further, the FY 89 baseline development efforts, which include flight controls, cruise missiles, and ALQ-161 testing, cannot be completed with the requested funds if alternative ECM systems are required to be tested.

The FY 88 Authorization Act directed DOD to perform an independent assessment of the B-1Bs ability to penetrate enemy defenses. The Institute for Defense Analysis (IDA) was selected to conduct the study. The study has required briefings from various contractors, the System Program Office for program information and Strategic Air Command for SIOP requirements. Because of the need for IDA to become knowledgeable on this very complex issue, time is required to accomplish the analysis and put the data into a report. We anticipate the final report in August 1988.

B-2

QUESTION: What fiscal constraints will cause the cost of the program to rise?

ANSWER: The management of the B-2 program continues to prove itself as a highly successful program; however, it does operate in an arena that is affected by many constraints. During the FY89 President's Budget (Adjusted) restructure, the B-2 program participated in overall Air Force and Department of Defense budget reductions, to preclude disproportionate burdens on other programs. As a result, program content was pushed to the right with commensurate cost increases.

QUESTION: Did fiscal constraints result in rescheduling the first B-2's test flight by a number of months?

ANSWER: Fiscal constraints were not the reason for rescheduling the first B-2's test flight. The B-2 program is a milestone driven development program incorporating new technologies with an aggressive schedule.

Some delays will be experienced before the objective of a safe and successful maiden flight is achieved.

QUESTION: Have the problems with Northrop that were publicized last year been resolved to your satisfaction?

ANSWER: During the course of any development program it is not unusual for inconsistencies to appear from time to time. The Air Force continues to identify deficiencies and take whatever actions are necessary to rectify the problems. Northrop and the Air Force have the necessary management structure and working relationship which permits the resolution of problems by initiating timely corrections and aggressive follow-up. To date the Air Force is satisfied with efforts of Northrop to solve identified problems.

Question: The Pentagon has been in the midst of a crash program to improve its air and sealift capabilities since the Soviet invasion of Afghanistan in 1979. Since then, the Air Force has spent a great deal of money to buy new C-5Bs and now the C-17, and the Navy has put many additional cargo ships into service. Inspite of this, there is still criticism of the military's ability to move men and equipment overseas during an emergency. The Services established interim goals for the amount of cargo they would be able to carry by certain years. To what extent have they met those goals? Can the United States meets its military commitments overseas at this time in terms of air and sealift? If not, how long will it be before the interim and final goals be met? Are these goals realistic in terms of requirements and available resources?

Answer: My guidance to the Services establishes both objectives for the end of the five-year period it covers and longer-term goals for airlift, sealift, and prepositioning. Objectives change each time the guidance is reissued as we move closer to those goals. Thus far, expansion of airlift has stayed about on the path established early in this administration. Although we will not reach the goal until the C-17 program is completed in the late 1990s, we now have about two-thirds of the goal level of airlift. Sealift has grown even faster; despite declines in the civil fleet, we now have about 80 percent of our goal for carrying noncontainerizable dry cargo--the type of capacity that is in short supply. Predicting when we will reach our sealift goal is difficult because of large uncertainty in the future of the U.S. flag fleet. Prepositioning has also grown significantly, but limited access has kept us from meeting prepositioning objectives in Southwest Asia, and shortages in the amount of Army equipment available for prepositioning there and in Europe also have slowed program implementation. We do not expect to meet prepositioning goals for support forces fully in either theater until the late 1990s.

Although, current deployment capabilities do not fully meet our goals, we can meet all of our overseas commitments. We would be forced to respond sequentially, however, to multiple threats, and, for the largest contingencies, risks would be higher than we like. Our goals reflect a prudent compromise between fiscal realities and the unconstrained requirements of the theater commanders. As you know, we are now formulating a program for FY 1990-94 at lower fiscal levels. Like all others, mobility programs are being reviewed in that process, but I have always accorded a high priority to this mission area and have made no prejudgment that current goals are unaffordable.

Question: There are reports that the C-17 cargo plane is overweight and over cost. Is that true? Are the reasons for selecting the C-17 over other transport planes, such as lower operating and life cycle costs, still valid? There are also complaints that the U.S. Merchant Marine is falling further and further behind in its ability to sustain a major U.S. troop deployment to NATO. To what extent is that true, and what can the United States do about it?

Answer: The projected operating empty weight of the C-17 is 265,782 pounds, as of March 1988. The design goal (not a specification) for OWE is 268,000 pounds. For the C-17, only performance is specified in the contract, and there is a performance margin at the 268,000 pound operating weight. All performance requirements for the C-17 are expected to be met. In 1985, when the C-17 full scale engineering development decision was made, the C-17 unit cost (expressed in FY 1981 base year dollars) was $89.3 million per aircraft, the current cost estimate is $97.8 million per aircraft. The cost growth represents negotiated revisions to the system specification such as the increased pallet capacity for the cargo ramp, On Board Inerting Gas Generation System (OBIGGS), etc. There have been no significant changes to cost or performance which would invalidate the selection of the C-17 over other airlift alternatives. The Military Airlift Command analysis of the costs of various airlift alternatives concluded that the C-17 was the preferred solution. This conclusion was subsequently validated in the 1987 GAO audit "MILITARY AIRLIFT; Air Force Analysis Supports Acquisition of the C-17 Aircraft."

In any war or contingency, in NATO or anywhere else, the United States will depend heavily on civilian merchant ships to carry the bulk of its deployment requirements. Unfortunately, the U.S. Merchant Marine is in a state of decline due mainly to economic factors. So far, DoD programs have offset this decline but, to the extent that further decline results in a loss of shipping assets, it will adversely affect our ability to sustain a deployment. In the case of NATO, we plan on using about 400 NATO ships to assist our reinforcement. Additionally, to offset the decline in U.S. shipping, the government has been building up the Ready Reserve Force (RRF) until it now numbers nearly 100 ships. These ships are maintained in high states of readiness by the Maritime Administration to enable us to respond promptly to contingencies such as NATO. To further offset any additional declines, the United States can arrange for NATO to provide additional shipping, or, if NATO should somehow be unable to provide more shipping, increase our ownership of RRF ships.

Proposed Budgetary Cuts in the Ada Program

Question: I have recently learned of plans by Deputy Secretary Taft to consolidate three major Department of Defense software efforts (the STARS program, the Ada Joint Program Office, and the Software Engineering Institute) into one program, reduce such consolidated program funding by fifty percent, and move that program from under the authority of the Under Secretary of Defense for Acquisition to DARPA (Defense Advanced Research Projects Agency).

I am concerned about the proposed fifty percent reduction of funding for software development and implementation that the Department of Defense is taking. The effective deployment and utilization of modern military forces is becoming dependent on software. It is my understanding that this was why the Ada computer language was developed by the Defense Department. To cut Ada funding at this time -- during the development and implementation phase -- does not make sense. Because of today's software problems, the services will not be able to get new weapons systems on line and functioning in a timely manner. I agree with the Defense Science Board's recommendation to improve management and avoid duplication of effort in the software program. However, the means being implemented to achieve these recommendations is being viewed by the defense software development community as a step backwards.

I have written to Assistant Secretary of Defense Robert W. Helm (Comptroller) about this matter, and referred to him a letter I received from a constituent, who is editor of a national Ada trade newsletter entitled, Ada STRATEGIES. My response from Assistant Secretary Helm reflects the failure of the Department of Defense to realize that funding of software development is an investment which can result in saving millions of dollars across all line items in the defense budget.

Mr. Secretary, to acquire advanced weapons systems without adequately investing in the software needed to effectively deploy and operate them is a dangerous risk to our national security. Would you please provide for the record the Department of Defense position and rationale for the cuts in the Ada programs?

Answer: In order to comply with the Budget Summit Agreement, many programs had to be reduced. One area that was examined was greater participation from the private sector where there are incentives for industry to invest. The Department agrees that further investment in Ada software technology is an investment which can result in saving millions of dollars across many line items in the Defense budget. While the Department is committed to fully implementing the Ada programming language in its future weapons systems, it was felt that industry could begin to take over further development of Ada software technology. Commercialization of Ada software technology, and the competition that will result, is necessary to the further advancement of the Ada software industry and to the Department's eventual ability to achieve cost savings through broad competition in the acquisition of Ada application software. The Department believes that the requested funding for Ada will achieve these goals.

QUESTIONS SUBMITTED BY SENATOR LEAHY

Biennial Defense Budgets

Question: Could you tell me how the first two-year authorization cycle is going? Frankly, I have heard there have been some problems, especially with very soft DoD estimates for spending levels for the second year of the two-year cycle. Can we expect DoD's projections to get closer to reality in the future?

Answer: Total congressional support for our FY 1988/FY 1989 request was lacking. While the Senate Armed Services Committee reported a bill that authorized over half of the FY 1989 defense budget in addition to the FY 1988 program, the House Armed Services Committee proposed only an annual authorization bill. Although the resulting legislation authorized nearly two-thirds of the FY 1989 request, that authorization was contingent on the enactment of associated appropriations. Those appropriations were not forthcoming. This lack of full congressional support was not due to "soft estimates" for FY 1989. The FY 1989 portion of the FY 1988/FY 1989 request was subject to the same scrutiny and review and contained the same justification detail as the FY 1988 portion. The chaotic nature of the congressional review process coupled with concerns about the deficit and the threat of sizeable Gramm-Rudman-Hollings sequestrations left little opportunity for a biennial defense budget. Nevertheless, we are encouraged by the support for biennial budgeting demonstrated by the authorization process. Next January, we intend to submit a biennial defense budget for FY 1990/FY 1991, which will again contain the same level of detail and quality of funding requests for both years.

Question: What about a biennial DoD appropriations bill? Would you be willing to give me something in writing about how this cycle would work in DoD's defense planning and budgeting? I'd like to have your views on the advantages of biennial defense appropriations, as well as a candid assessment of possible problems.

Answer: In order for us to achieve the full benefits of biennial budgeting, the Congress must provide both authorizations and appropriations for both years. Unfortunately, this did not occur for the FY 1988/FY 1989 request. Nevertheless, our experience during the first biennial cycle was positive and reaffirmed our commitment to biennial budgeting. We are now well into the second biennial PPBS cycle. The Defense Guidance for the next internal defense planning exercise and the fiscal guidance for the POM were issued ahead of the annual schedule. The earlier planning and programing cycle thus far this year should facilitate the budget formulation efforts to be conducted this fall. Efforts are underway to fully incorporate biennial budget requirements into the standing guidance for budget formulation and presentation within the Department. This is the final phase in fully institutionalizing biennial budgeting within the PPBS system.

The overriding benefits to the Department from biennial budgeting would be program and resource stability and resulting economical program execution available to defense managers. It would allow these managers at least one year, and hopefully two, in which they could plan, price, and execute their programs without concern of funding fluctuations. In the area of investment, obvious benefits can be realized as materials and components can be purchased more efficiently using economic order quantities earlier in the contract period. This is particularly true of long-lead components, such as those required for shipbuilding or major weapon systems. The ability to employ multiyear contracts has proven cost effective, as the reduced risks to the contractors are translated into lower costs to the government. The assurance of two years of production should attract additional competitors for defense programs, especially those on the margin who, heretofore, may have deemed it not cost effective to tool and train for only one year's effort. Defense contractors would be able to plan workload, work forces, and facilities based on a firm commitment of 24 months of production rather than 12 months. Hiring programs and employee training programs would be able to be better synchronized with the production effort once the contractor is confident that production levels planned for the second year actually will occur. Such contractor confidence may result in earlier contractor investment in facilities.

In addition, biennial budgeting offers some hope for improving current budget formulation, review, and execution processes. Most obvious is the freedom from an annual process burdened by delays and repetition both within the Department and the Congress. Annual votes and debates on particularly political issues that often drag the budget process to a standstill would be eliminated, freeing more time for policy planning and oversight.

Our experience reveals that there is nothing procedurally difficult about preparing and presenting a biennial budget. There is no known reason why the Congress should not be able to enact authorizing and appropriating legislation for two fiscal years at a time.

QUESTIONS SUBMITTED BY SENATOR DECONCINI

QUESTION: Mr. Secretary, a few months ago you met with your equivalent in the Soviet Union, Dmitri Yazov, the Soviet Minister of Defense. I understand from press reports that you discussed regional conflicts, including the 13 year old civil war in Angola. The Soviets have provided that Marxist government with billions of dollars worth of military equipment, thousands of military advisors, and closely coordinate these efforts with Cuba. The Soviet and Cuban presence in Africa should be strongly condemned and I commend you for discussing this. Could you tell the Committee what you discussed? Will you participate in similar talks regarding Angola at the summit in Moscow later this month? As you know, Dr. Crocker has initiated some talks with the MPLA, Cuba, and South Africa in London. Why isn't UNITA asked to be included? Also, since these talks started, Cuba has sent in 5,000 new troops. In light of this, I hope you might convey our disappointment and frustration with Cuba increasing its troop strength as we negotiate peace.

ANSWER: In my talks with MOD Yazov in Bern I told him that Soviet efforts to convince the American people of Soviet peaceful intentions would be influenced by progress in removing the Cuban military presence (then estimated at 37,000) from Angola, as well as removing Soviet forces from Afghanistan and cutting aid to Nicaragua. I stressed to MOD Yazov that failure of the USSR to move forward in these areas would harden the perception in the United States that the Soviet Union has expansionist aims.

I did not discuss regional issues specifically in my talks with MOD Yazov on the margins of the Moscow Summit, but these issues were covered in the broader context of the Summit discussions.

As for the talks in London, while the Department of State has the lead on the Angolan issue, I did have a representative (DASD for African Affairs Jim Woods) there as a member of Chet Crocker's team, and I can share a few views with you. [Deleted.] While the role of the United States in these negotiations is that of facilitator, we do, of course, have specific policy objectives: withdrawal of all foreign forces from Angola, including all the Cuban troops you mention in your letter, national reconciliation in Angola, and implementation of UNSCR 435 in Namibia.

The Administration recognizes and supports the vital role UNITA will play in the process of national reconciliation in Angola. [Deleted.]

We are following closely the continuing build-up of Cuban and Angolan troops near the border with Namibia. It is disturbing to note that military activity has increased over the last six months, at the same time interest in diplomatic solutions has revived. [Deleted.]

Question: **Mr. Secretary, a few weeks ago you contemplated the possibility of sending six Coast Guard vessels to the Gulf to assist our forces sustained there. You subsequently** decided not to send the vessels, due in part because they could be utilized to fight the drug war. I have two questions. From a burdensharing perspective, why can't a NATO ally provide this strategic need to counter Iranian speed boats in the Gulf?

Answer: The United States and its allies have sufficient capability to counter the Iranian speed boats in the Gulf. In considering sending the Coast Guard boats to the Gulf, the U.S. was not fulfilling a strategic need but only replacing smaller patrol craft with the larger, more capable Coast Guard craft. Our allies continue to cooperate with us in providing naval forces in support of the freedom of navigation in the Gulf. These capabilities range from minesweeping by the Dutch and Belgians to a full range of surveillance and firepower by frigates and destroyers of the United Kingdom, France and Italy.

DoD Support to the War on Drugs

Question: What specific efforts can DoD provide to fight the war on drugs in this country?

Answer: DoD can provide support to law enforcement agencies engaged in the battle against drugs. As we have indicated in previous testimony, we are prepared to provide equipment, training, intelligence information, aerial and maritime surveillance, and some liaison personnel. An important DoD initiative is the support provided by 3,000 aerial surveillance flight hours and 9,000 man-days expended on drug eradication activities during FY 1987. We anticipate an expansion of this support during the coming months. In addition, we could look at increasing the role of the National Guard in Title 32 status specifically to augment U.S. Customs Service and Border Patrol personnel and increase air operations capability. Another important DoD initiative is to enhance the law enforcement agencies' surveillance capability. As a by-product of military mission requirements, the Department will enhance the capability to detect potential aerial drug smugglers by giving Customs and Coast Guard personnel access to long-range, large-area surveillance data from Navy and Air Force Over-the-Horizon radar systems and the conventional land-based radars which will constitute the Caribbean Basin Radar Network. These systems, once fully developed, tested, and deployed, have the potential to become the nation's primary long-range surveillance systems. Other possible areas of increased support include: expanded language training for law enforcement personnel at the Defense Language Institute; increased operational planning assistance to the National Narcotics Border Interdiction System and law enforcement agencies, including planning team deployments to operational areas; staging of military exercises near our border areas or in other areas of high drug trafficking; more special overseas operations, such as Blast Furnace and OPBAT, which are possible upon invitation of the host country and under the coordination of the Department of State; and finally, the transfer of additional excess operational helicopters to the law enforcement community expected later this fiscal year.

Defense funding from FY 1990 through FY 1993

Question: Given constraints on federal resources, it is possible or even likely that the budget growth you seek will not be forthcoming. If defense funding merely keeps pace with inflation from FY 1990 through FY 1993, it will fall approximately $75 billion short of your projection of two percent real growth. If it stays at $299.5 billion, it will fall approximately $175 billion short of projections. Does the Department of Defense have any plan to deal with these contingencies? What would be cut under such conditions?

Answer: The topline I provided to the Military Departments to prepare their program objectives for the next five years includes approximately 2 percent annual real growth. This moderate growth, which actually represents a reduction from previous topline estimates, is the minimum necessary to support adequately our forces and continue our modernization program to meet future threats to our security It is also necessary to establish a longer-term period of moderate growth to achieve predictability and stability in defense funding that is so important to the effective execution of defense programs. We urge the Congress to support us in these efforts rather than requesting us to develop plans and identify cut lists to support lower levels of funding which would be inadequate to our security needs.

QUESTION: In January, the Commission on Integrated Long-Term strategy (chaired by Fred Ikle and Albert Wohlstetter) recommended that the emphasis of military plans and programs should shift away from Europe and towards the Third World. Has this recommendation been accepted by the President and the Defense Department? If so, what actions are being taken to carry out this policy? Alternatively, what consideration has been given to the idea (recently proposed by a Soviet-American panel headed by Arthur Macy Cox and Georgi Arbatov) of formally agreeing with the Soviet Union not to intervene with combat troops or proxies in regional conflicts?

ANSWER: I would not characterize the Commission's recommendations as a shift away from Europe. The Commission stressed the importance of preparing for a wider range of contingencies than the extreme threats of a full-scale Warsaw Pact attack on Europe or a nuclear attack on the United States. Some of the other contingencies discussed would be in Europe, especially on the flanks. But the Commission's point is that we need the flexibility to be able to bring discriminating, non-nuclear force to bear wherever needed; and that security assistance, mobile forces, allies, and aid to some a anti-Communist insurgents are important means of protecting our interests in the Third World. The Commission's recommendations are under consideration by the Department of Defense. The Commission provided useful guidance to policy considerations in many areas, but did not attempt to offer a program or propose specific budget allocations.

The proposal that the U.S. and Soviet Union agree not to intervene with combat troops or proxies in regional conflicts has some attractions, but would be wholly unsuitable as a formal agreement. The United States could not agree simply to refrain from military intervention to help our allies defend themselves against agression--even in cases where the aggressor is neither the Soviet Union nor a Soviet proxy. The Soviet Union's withdrawal from Afghanistan will make a start in acheiving the objectives of the panels recommendation you've described; Cuban withdrawals from Angola and Ethiopia and a Vietnamese withdrawal from Cambodia would be equally welcome.

Question: Talks on conventional arms control control in Europe are scheduled to begin later this year in Vienna. What is the current U.S. position in these talks? What forces, if any, will we be willing to give up in order to get reductions in Soviet forces? Are any restrictions on types of weapons being considered, as well, as on numbers of weapons? What actions are being taken to reconcile U.S. arms control positions with our acquisitions policy, particularly in regards to Emerging Technologies? What is the U.S. position on the Warsaw Pact proposal that both sides withdraw offensive weapons from specified zones in Central Europe?

Answer: The 23 member states of NATO and the Warsaw Pact are currently engaged in negotiations on a mandate for new Conventional Stability Talks (CST). Our ability to proceed with the CST depends on successful completion of these mandate talks as well as reaching a balanced outcome to the Vienna CSCE Follow-Up Meeting which covers human rights, economic, and security issues. NATO seeks to begin the new negotiations this year, if possible.

The U.S. is now consulting with our NATO allies about the specific elements of a proposal for the Conventional Stability Talks. There is already consensus on the major elements of an approach. Given Eastern conventional superiority across the board, negotiations will need to focus on conventional ground forces and particularly those forces such as tanks and artillery that are necessary to seize and hold territory.

The question of the removal of U.S. forces as part of a conventional arms control agreement relates to one of the most intransigent problems of the conventional forces imbalance: geographic asymmetry. The countries of the Warsaw Pact form a continguous land mass; those of the Alliance are geographically disconnected. The Soviets can generate a massive reinforcement potential from distances of only a few hundred kilometers; U.S. reinforcements must cross the Atlantic. This basic asymmetry makes the removal of highly capable U.S. forces from Europe particularly problematic. In addition to the cost of added air and sea lift, NATO must assess and take into account the ability of the Soviets to reverse the effects of force withdrawals into the Soviet Union. Absent a substantial build-up of NATO's conventional forces, the acceptability of removing U.S. forces as part of an agreement would depend to a large extent on the willingness of the Soviets to seriously degrade Warsaw Pact force generation potential.

With respect to the Warsaw Pact proposal, the U.S. does not support the creation of weapons-free corridors in part because Soviet forces could easily move back in whereas U.S. forces would undoubtedly be disbanded or withdrawn to the continental U.S. Furthermore, reductions in Central Europe alone would create opportunities for circumvention in letter or spirit based on build ups and/or a restructuring of forces in Pact countries not included in the "specified zones."

It is important that defense and arms control policies be in harmony to ensure their complementary contribution to the security of the countries of NATO. To this end, one of the functions of the DoD Competitive Strategies Council has been the identification of areas of U.S. technology that must be protected and promoted by our arms control objectives. The Council has concluded that to maintain our competences in the application of technologies that strengthen conventional defense, we must preserve our deep attack capabilities, conventional strategic strike and tactical air systems, anti-submarine capabilities and dual use systems. In general, we are seeking to protect our long term advantage in automated control and our ability to build systems of extended range.

Question: The issue of burdensharing in the NATO alliance has been discussed a great deal lately, but most of it refers to the amount of money the allies spend on defense, rather than on the military contributions that are made. What are some of the most important specific military contributions that we can ask the allies to make that they are not making now? Asking them to be responsible for defending longer stretches of border? To increase sustainability? To provide more facilities for our troops and equipment?

Answer: The most important military contribution that we can ask the allies to make is to proceed with ongoing NATO programs to strengthen our deterrent and defense capabilities. Essential programs include (1) implementation of the 1983 Montebello decision on nuclear force modernization and (2) the 1984 initiative for Conventional Defense Improvements (CDI). These and other key efforts are described in detail in my January 1988 Report to Congress on Support of NATO Strategy in the 1990's.

Operation & Maintenance, Navy

QUESTION: Have increases in operating budgets for the Navy in the Persian Gulf led to decreases in operating for other fleets? What effect is this having on flying hours, steaming time and training for the Navy outside the Persian Gulf.

ANSWER: The Persian Gulf operations have forced the Navy to redistribute a small portion of its resources from the non-deployed fleets to the deployed fleets to meet our commitments throughout the world. Due to this redistribution of resources, the non-deployed fleets have made minor reductions in steaming days, flying hours, and the scope of scheduled training exercises. These reductions are consistent with similar measures which have been taken in the past to fund other contingencies and their effect on the readiness of the forces is minimal.

APACHE REDUCTIONS

QUESTION. With a possible signing of the INF Treaty later this year, there is a general recommendation that our conventional forces need to be enhanced. General Galvin, our senior military commander in Europe, listed the Apache as one of the five key weapons systems essential to conventional force effectiveness. Therefore, I find it difficult to reconcile these facts with the Army's recent decision to reduce the total number of Apaches from 1,031 to 863 which in part results in 42 less Apaches allocated to Europe. This does not make sense to this Senator given the gross disparity in helicopters, tanks and artillery between the Warsaw Pact and NATO. Perhaps, there are other factors involved. Will you please comment?

ANSWER. The decision to reduce the number of Apaches in an attack battalion from 18 to 15 was based primarily on budgetary reasons. In order to modernize Army aviation in all areas (attack, lift, scout and cargo) and stay within agreed Army/OSD budget projections ($3.5B annually for aviation) some decisions had to be made. A reduced rate of acquisition for the Apache was one concession. However, the aggregate decisions of the Army modernization plan have resulted in a 15 Apache/10 LHX organization which is considered to be a more capable combat organization than the previous 18 Apache/13 non-armed OH-58 unit. This change is justified in that 10 additional "shooters" LHX will be added to the attack battalion. Each of these aircraft designate for, carry and fire the laser guided anti-tank Hellfire missile. This increase in "shooters" gives the commander the same missile carrying capability as with 18 Apaches but adds flexibility for target designation, engagement and employment. You must recall that this is not an Apache reduction. The Army's previous program procured only 593 of the original 675 we planned to buy. We are in fact increasing the Apache buy. The difference between 1031 Apaches and 863 is off-set by the LHX procurement.

AH-64 APACHE

QUESTION. Considering the severe budgetary constraints and the uncertainty of the Administration's priorities, it would seem essential that weapon systems be procured at not less than minimum economic production rates, under multi-year procurement contracts where appropriate, but with flexible, optional quantities. For example, in the MYP of the AH-64 APACHE the Army says it is considering at 72 per year, optional rates of 84 or 60 might be appropriate. What is your view on this approach to production rate flexibility?

ANSWER. Quantity options are an excellent way to achieve flexibility in multi-year contracting. The Army plans to negotiate quantity options for the AH-64.

QUESTIONS SUBMITTED BY SENATOR WEICKER

FY 1990 Programs

Question: Mr Secretary, how can the Congress make sound decisions about the FY 1989 budget without a clear picture of the FY 1990 funding levels for individual programs? If you are planning to carve $250 to $300 billion from the outyears, including $65 billion from FY 1990 -- and you have testified to that effect, it is difficult for us to make sound judgements about about the FY 1989 budget. Please comment on that.

Answer: We have identified for the Congress some of the outyear impacts of the FY 1989 reductions by identifying those programs which will be terminated, deferred, or delayed and the cost savings associated with those actions for the period FY 1990-1992. I feel confident that the Congress can effectively address the amended FY 1989 request based on this information and the justification material we have provided for the amended FY 1989 request.

Advance Procurement Funding

Question: $4.7 billion in advance procurement funding is requested in the FY 1989 budget to execute activities programed in FY 1990. That amount is linked to the $371 million programed in the FY 1990 budget. Given your plans to carve $65 billion from FY 1990, should we cut advance procurement funding in FY 1989 by 20%, 25%, 50%? What should the figure be?

Answer: FY 1989 advance procurement funding should not be reduced for several reasons. Since no final decisions have been made about the FY 1990 budget, it would be premature to delete funds from FY 1989 on the basis of what the FY 1990 program might be. Further, it is my intention to maintain a stable procurement plan in FY 1990. That priority was adhered to in reducing the FY 1989 budget, and I intend to continue that priority. The bulk of advance funding is for stable, mature programs, and in the unlikely event that an FY 1990 budget is reduced, the advance procurement funds will be applicable to the FY 1991 program. Any percentage reduction to the FY 1989 advance procurement would be inappropriate since the Department would have no basis for assigning these reductions. As a result, all programs could end up being underfunded. I strongly oppose any reduction to FY 1989 advance funding.

QUESTIONS SUBMITTED BY SENATOR MCCLURE

Senator McClure: I have been deeply concerned for some time regarding the construction of new nuclear materials production capacity. As you know, the three currently operating reactors are aging and must be replaced. But I fear there are serious national security implications of siting all production capacity in one location. It has long been a defense policy to have duality of sites for critical facilities. I believe this is possible with new production capacity, with only slight additional costs. Let me clarify what I mean by dual siting. That does not in any way mean duplicating a full-scale plant at a second site. Rather it assumes that the total capacity requirements be split between the two sites via the construction of smaller units, including modular construction.

Has DoD taken a position regarding the possibility of dual siting for production capacity?

Answer: No.

Senator McClure: What role is DoD playing in the funding and selection of site and technology for new production capacity?

Answer: We are working with the Office of Management and Budget and the Department of Energy (DOE) to ensure adequate new production reactor funding is requested.

Although I have been apprised that several technologies and sites are being considered by the DOE, I am not involved in any detailed way with these decisions. The Secretary of Energy has given assurance that he will confer with me prior to designating the preferred technology(ies) and the preferred site(s). I am aware that the DOE has formed two panels, one to look at technologies and one to look at sites. I understand the NWC will be asked to review a report due to you and the other members of Congress as soon as the two panels have completed their work.

QUESTIONS SUBMITTED BY SENATOR KASTEN

Question: As you have already said, Deputy Secretary Taft has been over visiting with our NATO allies regarding burdensharing. I applaud your efforts to set up a task force to look at the roles, risks and responsibilities concerning the common defense. Regarding the progression of events, could you go over the exact timetable to that would take place before specific measures went into effect?

Answer: As a follow-up to the Taft trip to allied capitals in early May, we anticipate that NATO will launch a review of the situation with the objective of developing recommendations to help ensure an equitable sharing of roles, risks and responsibilities. The results of the review should be reported to NATO Defense Ministers at the Fall 1988 Defense Planning Committee Ministerial.

In the meantime, our Task Force is continuing to develop its own list of specific measures for improved burdensharing. These measures will be fed into the NATO review as appropriate. In addition, the Deputy Secretary of Defense plans a second trip to NATO capitals in the early fall to discuss initiatives that are best handled on a bilateral basis.

Question: I agree that we should seek ways to encourage our allies to do more instead of indicting them for doing less. Are there any specific measures that you would like to see occur?

Answer: As mentioned, we are continuing to develop a list of specific measures. At the same time, a key need is to proceed with ongoing NATO programs for force modernization in both the nuclear and conventional areas.

Senate Postponement of Floor Debate on INF Treaty

Question: You say in your statement that the achievement of verifiable and stabilizing arms reduction agreements is our primary goal. Since that statement was written it has been decided to postpone consideration of the INF Treaty on the Senate floor. What do the Soviets need to do to rectify this situation?

Answer: As you know, some in the Senate raised questions about the applicability of the INF Treaty to INF missile systems carrying warheads based on so-called "futuristic" technologies. Also, some senators expressed concern about reported Soviet backtracking on treaty implementation issues -- such as the U.S. right to inspect all areas within the boundaries depicted in the site diagrams -- during the U.S.-Soviet technical talks.

Although we did not believe it necessary or desirable to delay further Senate action on the Treaty, the Senate leadership decided to do so until these matters were cleared up to their satisfaction.

These issues were thoroughly discussed with the Soviets prior to and at the Foreign Ministers meeting in Geneva during the second week in May. At the Ministerial, the Soviets agreed to an exchange of notes setting forth an agreed understanding that the INF Treaty prohibits ground-launched, INF cruise and ballistic missiles tested or deployed to carry weapons based on future technologies. Moreover, in an Agreed Minute, the sides recorded several more understandings about treaty inspection procedures -- all to the satisfaction of the United States.

With these agreements and understandings in hand, the Senate began debate on the Treaty on May 17.

QUESTION: We continue to see the disastrous effect that mines have had on ships in the Persian Gulf. The fast frigate "Samuel B. Roberts" is only the latest in what has and will happen.

What new initiatives or direction has been implemented this administration to meet this threat?

Answer: In light of the continuing mine threat in the Persian Gulf, the Navy has accelerated several programs to evaluate and deploy tactically a number of mine detection and mine avoidance systems with the objective of both improving the self-protection capability of surface combatants and increasing coverage provided to EARNEST WILL convoys. [Deleted.]

Plans have been made for procurement of additional copies of these systems for in-theater use following their successful tactical evaluation.

QUESTIONS SUBMITTED BY SENATOR D'AMATO

Armed Forces in Drug Interdiction

Question: During consideration of S. 2355, the Defense Authorization Bill, I plan to introduce an amendment to authorize a much more direct involvement by the Armed Forces of the United States in drug interdiction. Before introducing this amendment, I would like to ask our Secretary of Defense a few questions about the present level of military assistance to drug interdiction. First, I would ask him to help clear up the confusion that exists concerning the level of assistance that is actually provided now. For example, the Defense Department defines the assistance it provides law enforcement one way, and GAO defines it another way. The Defense Department says it provided 16,288 surveillance flight hours in FY 1987 for law enforcement. But GAO tells me that that figure includes the so-called "watch flights," when the planes are up primarily for military purposes, but the pilot is told to keep an eye out for drug smugglers. GAO says these "watch flights" are of very limited usefulness for law enforcement. GAO says the figure that matters is the number of flight hours designated for specific law enforcement operations. For example, at page 26 of the GAO report on Issues Surrounding Increased Use of the Military in Drug Interdiction, GAO says: "Defense Department data show that in FY 1987, the Air Force designated 591 AWACS flying hours to drug interdiction." Can you clarify this confusion? Does the Defense Department distinguish between the so-called "watch flights" and flights that are in support of a specific law enforcement operation?

Answer: As we have indicated, according to Public Law, DoD support to law enforcement cannot adversely affect defense readiness. Given the defense mission requirements of our surveillance aircraft, the unified and specified commanders determine mission profiles to obtain minimum crew training requirements in order to maintain combat readiness. If, after minimum imperative military training requirements are met, additional flight hours are available, then law enforcement agencies are given the opportunity to specify the geographic area where airborne surveillance would be most useful. Those so called "designated" flight hours are still used primarily for military training; however, the aircraft is operated in an area which complements a current law enforcement operation. "Watch flights," while not flown in conjunction with a specific law enforcement operation, are those military training and operational flights flown in law enforcement "areas of interest." The surveillance aircraft performs military training just as on "designated" missions and, during the course of the mission, the surveillance equipment is used to identify drug smuggling track profiles. The aircraft surveillance systems are also data-linked to law enforcement C3I centers, and any suspected drug trafficking activity is passed to the appropriate agency. While we do not routinely keep separate data on the "designated" as opposed to the "watch" flights, the "watch" flights have also resulted in arrests and seizures. In fact, these "watch" flights could have greater impact than "designated" flights in that they are not flown in conjunction with any current law enforcement operation and therefore the drug trafficker is caught entirely by surprise.

Aircraft and Equipment Loans

Question: The Defense Department also indicates that it provided aircraft and equipment loans to law enforcement in FY 1987 worth $303.5 million. What amount has been provided so far in FY 1988? What is the planned total for FY 1988 and FY 1989?

Answer: The total value of DoD aircraft and equipment on loan to law enforcement agencies, as of the end of the second quarter of FY 1988, is $331.01 million. We are unable to predict the amount of DoD resources that will be loaned in the future because DoD support is provided in response to the needs of law enforcement, the availability of equipment for temporary or long-term loan, and the availability of excess equipment for permanent transfer.

DoD Support to Law Enforcement Agencies

Question: GAO has a different version of the DoD FY 1987 contribution. It says: "In Fiscal Year 1987, DoD provided about $75 million in unreimbursed support to law enforcement agencies. This represents a very small fraction of 1 percent of the $274 billion DoD expended in that year." Isn't the GAO's figure a more accurate indicator of ongoing DoD support for drug interdiction? Has the $303.5 million provided in FY 1987 been repeated this year?

Answer: Department of Defense (DoD) data show that, during FY 1987, DoD cost estimates for direct operational support to law enforcement agencies, incidental to our own training and operational activities, are approximately $91.3 million. All of this cost was absorbed by DoD. It is important to note the categories of support DoD provides to law enforcement agencies. Our direct or unreimbursed costs are a reflection of the operations and maintenance costs for military equipment used in support of law enforcement agencies during operations in which we determined that DoD derived substantially equivalent training and therefore, we did not seek reimbursement. As a separate but related issue, the referenced $303.5 million is the value of equipment DoD has on loan to law enforcement agencies which would be returned to us in the event of a national mobilization. As previously noted, through the second quarter of FY 1988, this figure has increased to $331.01 million.

Assistance to Coast Guard

Senator D'Amato: GAO also indicates: " . . . DoD assistance to the Coast Guard was reduced in the first two quarters of Fiscal Year 1988." (Page 23) What details can you provide us on this matter?

Answer: The Coast Guard was provided 1,133 ship steaming days to support interdiction operations during the first six months of Fiscal Year 1988 and 1,345 days during the same period in Fiscal Year 1987. Accommodations made due to increased fuel cost and redistribution of fuel allocations from CONUS operations to Persian Gulf operations have affected all Western Atlantic operating levels including drug interdiction support. Coincidentally, Coast Guard has elected a slight reduction in TACLETS embarked in Navy ships of opportunity during this period.

Senator D'Amato: My final question concerns the feasibility of using military personnel for drug interdiction. Please comment on this statement in the GAO Report (Pages 33 and 34): "Navy personnel could be trained in the requirements of international law, rules of evidence, and search, seizure, and arrest techniques. To minimize the need to train large numbers of personnel, the Navy's policy of rotating personnel could be modified to enable personnel trained in law enforcement to be assigned to a special Navy unit or command devoted to drug enforcement. A special unit could make it more practical to overcome the equipment considerations that would be involved in giving the Navy drug enforcement authority. Coast Guard officials also said that Navy personnel involved in making an arrest would have to be available to testify at the trail.... They agreed that a dedicated Navy drug unit would be more available for testifying."

Answer: Certainly DoD personnel could be trained in the manner suggested by the GAO. However, this training, which we agree is necessary if DoD personnel are to function as civil law enforcement officers, would obviously detract from military readiness training. Further, the alteration of the Navy's assignment rotation policy would have far-reaching effects as many personnel would be forced to involuntarily extend in their present assignments or would find themselves rotating into less desirable billets more frequently due to the reduced number of personnel available for assignment. In addition, this so-called dedicated drug unit would have no compatible military function thus effectively taking those people out of the available personnel resources needed to maintain our present state of readiness. While it is difficult to predict the precise impact of this new policy, promotions and career progression would also suffer for those people selected to man these new units and for those who must fill the resulting void. Overall, we would expect a decline in combat readiness as well as a significant morale problem.

QUESTIONS SUBMITTED BY SENATOR RUDMAN

QUESTION. There is strong Congressional concern that the Army may be prepared to repeat its misguided procurement policy in the area of Forward Air Defense by committing to production of the ADATS system before conclusive operational tests indicate its suitability or otherwise for the LOS-F-H role. What oversight responsibilities has OSD assumed to ensure against a repetition of the SGT YORK fiasco?

ANSWER. There are three categories of oversight at OSD level which will preclude the LOS-F-H effort from mirroring the SGT YORK experience. These are the (1) Defense Acquisition Board (DAB) process, (2) the Testing and Evaluation process, and (3) fiscal controls. These oversight controls have already put checks and balances in place to preclude another SGT YORK experience. Other than serving a similar purpose on the battlefield, i.e., to provide Air Defense to the forward maneuver, combat support, and combat service support elements, the SGT YORK and current LOS F-H systems are not similar in their acquisition strategies.

In the case of the SGT YORK system, there was a commitment for 146 fire units costing approximately $1.245 billion prior to the operational evaluation. For LOS-F-H, procurement dollars will be committed for only 5 systems costing approximately $118.5 million and an additional $23.7 million for advanced procurement for a follow-on buy, prior to the completion of operational evaluation. Three of the five systems are needed for Production Qualification Testing. Full Scale Production approval is scheduled for FY 90, subsequent to completion of operational testing. In essence, the two programs are not similar in terms of dollars committed prior to the completion of operational testing.

In terms of testing and evaluation, OSD is much more extensively involved in the current program compared to SGT YORK. The OSD structural changes, developed by the Packard Commission's recommendations, have already brought about closer scrutiny of the LOS-F-H program, as evidenced by the ADATS assessment in the 1987 annual report by the Director, Operational Test and Evaluation. GAO studies have also assisted in assessing the overall LOS-F-H program.

QUESTION. Despite consistently poor performance, the DRAGON anti-tank weapon is being touted as an interim system for the Marine Corps until the mid-1990's when a more modern (and hopefully more reliable) system will be available for incorporation into the operational inventory. Even though an improved warhead will upgrade DRAGON's lethality, don't cost and reliability factors make it a worrisome choice for procurement? Might not even an off-the-shelf foreign system prove a more cost-effective interim buy, particularly if fielding of an advanced system is delayed?

ANSWER. The DRAGON is the currently fielded medium anti-tank weapon in the Army and the Marine Corps. The cost and reliability of the DRAGON have been acceptable to the services. However, the effectiveness of the system, i.e., even when the system fires reliably, is not acceptable. Extensive gunner training is required to overcome several factors; including, a launch transient that affects aiming accuracy, a back blast signature that makes the gunner easily visible to the enemy, and the requirement for the gunner to hold the target in his sight for up to eleven seconds, (during which he could draw enemy small arms and machine gun fire). Additionally, the 1000 meter range is not adequate and the warhead cannot defeat currently fielded threat tanks.

Extensive training, logistics and maintenance time and funding have been, and continue to be, expended in support of the DRAGON system. Fielding a different system, even if it is only to be an interim system, requires similar or higher levels of support to familiarize the services with new hardware, training procedures, maintenance equipment, spare parts, etc. Thus, though the system has a number of deficiencies, the services have decided to retain the DRAGON, with an improved warhead (DRAGON II), until the Advanced Antitank Weapons System - Medium (AAWS-M) is fielded in 1992. The DRAGON II's new warhead would be effective against currently fielded Soviet tanks.

The Marine Corps has asked the Congress for permission to reprogram approximately $8.8M of FY1988 funding in order to continue to develop a DRAGON III. The DRAGON III would weigh slightly less than the DRAGON II, have longer range (1500 meters), shorter time of flight, reduced back blast, smoother control to eliminate the effect of the launch transient and an improved warhead (basically the same warhead as DRAGON II with a precursor charge). The Marine Corps believes the DRAGON III would provide a prudent "hedge" should the AAWS-M development be delayed for any reason. To date, the Congress has not acted upon this reprogramming request. In any case, neither the Army nor the Marine Corps plan to acquire a sufficient number of AAWS-M systems to satisfy their medium antitank weapon requirements. If the DRAGON III system can be fielded at considerably less cost than the AAWS-M, there is the potential of a high/low cost unit acquisition strategy.

SUBCOMMITTEE RECESS

Chairman STENNIS. All right, Mr. Secretary.

Secretary CARLUCCI. Thank you, Mr. Chairman.

Chairman STENNIS. Thank you very much.

And that closes the hearing.

[Whereupon, at 12:05 p.m., Tuesday, May 10, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1989

TUESDAY, MAY 17, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m., in room SD–192, Dirksen Senate Office Building, Hon. John Stennis (chairman) presiding.

Present: Senators Stennis, Proxmire, Hollings, Johnston, Stevens and D'Amato.

NONDEPARTMENTAL WITNESSES

FORMER SECRETARY OF DEFENSE

STATEMENT OF HON. HAROLD BROWN, FORMER SECRETARY OF DEFENSE, AND CHAIRMAN, JOHNS HOPKINS FOREIGN POLICY INSTITUTE, SCHOOL OF ADVANCED INTERNATIONAL STUDIES

STRATEGIC DEFENSE INITIATIVE

RECOGNITION OF DR. BROWN

Chairman STENNIS. Our subcommittee will please come to order.

We have Dr. Brown back with us again. He has been here once and testified in open session.

We are delighted, indeed, to have you back, Dr. Brown. You are a man who knows your subject. You are very experienced and are willing to go to the limit of special preparations for these hearings.

I see a particular value in hearings of this kind with a witness of the competence that Dr. Brown has. It is very, very revealing to what I call the general layman citizen, at home or abroad, and for the people as a whole, as well as members of the committee, members of the executive branch of the government, and members of the legislative branch of the government.

We thought we had had this reduced to a group of facts that would permit attendance and extensive attention so that we could give Dr. Brown as much attention as we would want. But, overnight, there developed additional roll call votes and additional arguments to be made.

The plan for a final vote on the pending military measure is very much in doubt, as of now, except that we can still use the occasion for the purposes I have referred to.

Senator Proxmire, we are glad you could be here. We will have a fine hearing here today.

Senator PROXMIRE. Mr. Chairman, may I just make a statement about Dr. Brown?

Chairman STENNIS. Certainly. Yes.

We are glad to recognize you, Senator Proxmire.

Senator PROXMIRE. We are very fortunate to have Dr. Brown testifying on the Strategic Defense Initiative because this is the most complicated technology that I have seen in the 30 years I have been in the Senate, and I think it is probably the most complicated technology that we will have in a long, long time.

It has enormous promise, of course. There is nothing we would prefer more than to have some way of defending our country against the terror of nuclear hollocaust. But there are very, very serious questions about whether or not this technology will work, and, of course, the cost is perfectly enormous, at a time when we have a very serious problem with deficits and huge debt.

So, what we need is the kind of expertise that only Dr. Brown represents—and when I say "only Dr. Brown," I mean it.

Here is a man who was Secretary of Defense and understands the problems of defending our country and our national security from every standpoint—not just from the technological standpoint. He served with distinction as Secretary of Defense for 4 years. He is a man who also was the Director of the Livermore Laboratory in California, where a great deal of the technology—probably more at that laboratory than at any other—with respect to SDI is conducted. He is a man who has a reputation as a world class physicist.

He can give us the kind of advice that I think is the most useful that we could possibly get.

We should not make this decision on the basis of partisanship. We should not make it on the basis of trying to make an impression as to whether we are for more military spending or for a bigger military buildup, or against it. We ought to make it on the merits, and I think we have a witness this morning who can tell us with greater reliability and competence about the merits than any witness we could possibly have before us.

I think we are very fortunate to have a witness of this distinction on this subject at this time.

Thank you.

Chairman STENNIS. I thank you, Senator. I certainly agree with the substance of all you have said.

Since I have been around, Dr. Brown has been one of the really outstanding gentlemen, of competence, capability and dedication, to have served as Secretary of Defense, and there are many other items that go along with that.

We had you here last year, Dr. Brown, and extended you the same warm welcome then. I have already referred, Doctor, to the benefits the people throughout the Nation, really, throughout the world, get from your knowledge, the benefits that come through the exposure of that knowledge here in this open hearing.

There is interest in the membership of ours. I met quite a few of them, in the passageway when coming over here and they were disappointed that they could not come here with me.

So, Dr. Brown, with the warm welcome that you have received and which you so well deserve, please proceed if you will in your own way.

We again want to thank you for being here and being willing to stay over and put up with the time situation that we have run into.

Thank you very much.

Please proceed in your own way.

VIEWS ON SDI PROGRAM

Dr. BROWN. Thank you very much, Mr. Chairman, Senator Proxmire, Members of the Committee.

I didn't realize that I was in such ill health as to justify those eulogies, but I appreciate them nevertheless.

[General laughter.]

Dr. BROWN. In any event, I welcome the opportunity to appear before you today to give you my views on the SDI program.

My conclusions differ little from those I reached in 1983, after President Reagan's speech announcing the program. But 5 years of discussion and the expenditure of more than $10 billion have provided all of us with quite a bit more to chew on, both in policy and in technical terms.

SDI is embedded in the political debate, and is likely to continue in some form after, as it existed in some form before, the Reagan Administration.

More detailed consideration of some of the issues is now both required and possible.

I propose to discuss briefly the policy issues and the various specific purposes of a strategic defense, and to provide my views on the proper guidelines for program content and on the implications for the prospects of strategic arms reductions.

POLICY ISSUES

The policy issues go to the very heart of U.S national security. The purposes of our strategic forces—offensive or defensive—are to prevent nuclear war, and to minimize the damage to the United States if nuclear war occurs.

Devastating damage would be done by even a small fraction of the tens of thousands of strategic warheads in both the U.S. and Soviet arsenals. Therefore, the first of these goals has always had a high degree of priority over the second, that is to say, preventing nuclear war has had priority over minimizing damage, if it occurs.

Achievement of the second seems to me a very daunting task in any meaningful terms.

Some analysts and observers have also been concerned that any reasonable prospect of limiting the damage in a nuclear war to what might seem an acceptable level would undermine the deterrent effect of strategic offensive forces. I have not been convinced by that argument because that degree of damage limitation has always seemed to me unachievable against an opponent determined to be able to inflict unacceptable damage. In principle, however, it is possible to envisage a reduction of strategic offensive forces to so low a level that defenses could be erected that would have some reasonable prospect of limiting to a few the number of warheads landing on one side or the other.

This would reduce the prospective damage to a level that would still be catastrophic by historic standards, but which a nation might survive.

But it is just in this situation and in the transition to it that uncertainties and differences in evaluation of offensive and defensive capabilities of the two sides could lead to instability and perhaps to fatal erosion of deterrence.

Concerns of that sort worry our allies, who depend to some degree on extended deterrence as it is provided by the possibility—indeed, the likelihood, in Europe—that a conventional war would escalate into nuclear war. That prospect helps to deter a conventional war there.

Relations with our allies, relations with the Soviet Union, and the effect on arms reduction are all policy issues that must be considered in examining the SDI program, along with its effect on the military balance. I do not propose to revisit all of these points.

As I indicated, my views have not greatly changed since my discussion of policy and strategic issues in the March-April 1985 issue of "Survival," and my later elaboration of the technological and programmatic issues in the February 1986 issue of "Foreign Affairs."

But during the past couple of years, the spectrum of possible purposes of strategic defense has become more widely understood.

At one end, we have the goal of making nuclear weapons "impotent and obsolete," the so-called "astrodome" of total protection of the U.S., and perhaps of allied, populations, laid down as the goal for SDI in the President's March, 1983 speech. However much this may be retained as a dream by President Reagan and some other advocates, and however much it continues to provide the basis of public and political support for the program, it has been considerably deferred programmatically and deemphasized even rhetorically.

At the other end of the range of ambitions lies the defense of strategic offensive forces and of some command-control and communications, including the National Command Authority.

HARD POINT DEFENSE

In the form of hard point defense, this is clearly workable and even cost effective, providing that the targets being defended are proliferated, so that the offense must attack many points for each object it wishes to destroy.

But if our force structure is arranged to comprise such a target system, then such a defense may not be necessary. One subset of this sort of defense that should be specially noted is light defense of the national government alone; the Soviets, in the Moscow defense system and their hardened command centers, have established something of this sort.

Such an approach has, however, considerable, and I think insuperable, problems in our democracy.

Between these extremes of purpose lie several intermediates: defense against an accidental or unauthorized launch by the Soviets of whatever targets we think such launches might be aimed at; defense against third country attacks if those attacks were to be launched by ballistic missile; and attriting to some degree a preemptive attack by the Soviet Union on our forces, so as to reduce Soviet confidence of the success of such an attack, or to delay its success long enough so that the United States would have time to react before its completion.

SPACE EXPERIMENTS

What has changed over the past five years as a result of the $10 billion-plus program of design, of development, and of experiments in space?

To achieve a comprehensive defense of population, feasibility of both boost phase intercept and of mid-course discrimination must be demonstrated. What I have seen of the results so far suggest to me that neither has become more so against offense countermeasures than was judged to be the case in 1983.

PHENOMENOLOGY IN SPACE

More is known about phenomenology in space; some things have gotten better, that is, easier, or we know better how to do them; other things now appear more difficult than we had thought. But, overall, there has been little net change.

I consider that a negative for the goal of comprehensive population defense. If much more is known but it still seems as infeasible as before, it is more likely to be "infeasible, period."

LIMITED GOALS

As to the more limited goals, they also appear to be about as feasible as we thought before, but more concrete examples have been proposed. Some are simple adaptations of earlier systems designs, and these could produce deployed capabilities sometime during the 1990s, considerably earlier than deployments of space-based systems—earlier than sensors, much earlier than weapons—for comprehensive or even partial population defense.

I have already commented that the so-called "astrodome" cannot work against a determined opponent and that defense of strategic offensive forces can, but only under conditions that may make it unnecessary.

The intermediate purposes also deserve some comment.

PHASE ONE PROGRAM

Some of the claimed appeal of each lies in its earlier availability and lower cost, as compared with the full population defense. Thus, the so-called "Phase One" program now proposed would have as one of its purposes to reduce confidence of a Soviet preemptive attack on U.S. strategic forces.

The Strategic Defense Initiative Office estimates that it will cost $75 billion to $150 billion and would be available around the turn of the century.

My own view of this particular version is that, in order to be cost effective in this role, it would have to be defending strategic offensive forces, specifically ICBMs, that were either mobile and hardened or in multiple protective shelters. If the forces were deployed that way, the ABM defense would provide a cost-effective overlay but, as I suggested above, could well not be necessary in order for the ICBMs to be survivable. Whether they would be necessary would depend principally upon whether the Soviet offensive forces were limited by arms control.

As to third countries, recent extension by the Iraqis of the range of Soviet-provided ballistic missiles and PRC sales to the Saudis have raised some concerns about the proliferation of ballistic missile capabilities, if those were armed with nuclear warheads.

There remains, however, a difference between 800 or even 1,500 miles and the range needed to reach the United States.

In any event, it seems unlikely that ballistic missiles with nuclear warheads will be nearly as real a threat to the United States from newly nuclear nations as the threat from manned or unmanned aircraft well into the next century.

ACCIDENTAL AND UNAUTHORIZED LAUNCH OF MISSILES

As to accidental launches, those could be aimed anywhere. Thus a thinner but nationwide defense would be needed to defend against them.

The same is true for unauthorized launch. The former would likely be only a few warheads. The latter, perhaps the most likely form of which would be the launch of the missiles on a ballistic missile submarine, could involve more than 100 warheads and associated penetration aids. And, of course, penetration aids would very likely be included on all Soviet missiles if the United States were to deploy a strategic defense.

That latter would be a formidable attack. A nationwide defense against it, to have a reasonable chance of being effective, would have to include many of the elements of the "astrodome" defense, albeit in less robust form. And we should ask ourselves what would be our reaction and the effect on arms control if the Soviets were to initiate a program of that sort for that announced purpose.

Given this situation, what would be a sensible U.S. SDI program?

R&D AT PRESENT FUNDING LEVELS

It should, in any event, include research and development at about the present funding level, I would judge, that is, $3.5 billion to $4 billion a year.

I myself would increase the relative emphasis on hard point defense, for insurance in case the arms control process were to break down completely.

To make real sense, however, that would have to be accompanied by a program to make ICBMs survivable. Such a program should be carried out in any event, and several reasonable options exist, though none on which the Congress and the Executive Branch have so far been able to agree.

DEEMPHASIZING PHASE ONE DEPLOYMENT

I would deemphasize the Phase One deployment program, especially the part involving space-based kinetic kill vehicles, because I continue to believe that those can be easily countered by less expensive and more quickly available Soviet actions, and would be very vulnerable to direct Soviet attack.

I would, instead, emphasize in the R&D program space-based sensors and longer term programs on directed energy weapons, along with ground-based systems.

I think it would be a mistake to make any decision toward deployment in the near future.

Population defense, by a system meeting the criteria of feasibility, cost effectiveness at the margin, and survivability—that is, the so-called Nitze criteria—seems to me not achievable at all for at least two or three decades, and unlikely ever to emerge so long as there are thousands of nuclear warheads on each side and a determination to penetrate the defenses.

But if it ever proves feasible, such a defense will come from the technologies that are now in earlier stages of research and development.

ALPS APPROACH

What about the so-called ALPS approach, involving the ERIS system either at Grand Forks—this is a ground-based system of interceptors? The system based at Grand Forks might be accomplished within the bounds of the present ABM Treaty, or the approach might involve additional anti-ballistic missile and radar sites. That would certainly require revision of the treaty.

I would not discard those ideas out of hand, but I am skeptical and would go slowly.

Those systems lack the capability to discriminate decoys and they have limited geographical coverage. That suggests to me a very limited capability to intercept even some possible accidental attacks, let alone larger, unauthorized ones.

Moreover, the capability of such a system against a third country attack ought to be weighed against realistic expectation of when such a ballistic missile threat might actually exist.

Another programmatic question with which the Congress is faced is whether the Congress should limit the flexibility of the SDIO to allocate resources among these various technologies and program purposes.

In general, I deplore the proliferation of line items and of detailed congressional direction. In this case, where there is so little agreement between the administration and the Congress, or indeed within the Congress, on the purposes and level of SDI, it may make sense to include some sort of Committee report language indicating the proper allocation of resources among these.

The purpose would be to inhibit unilateral shifts by SDIO between near-term and long-term technologies or between development programs and expenditures in anticipation of deployment, and to prevent experiments that could violate the ABM Treaty, but not to require the nearly insurmountable barrier of new legislation to be overcome if situations change.

ARMS REDUCTIONS

Let me turn now to arms reductions.

What are the prospects for a START agreement and for the continued observance, and indeed viability, of the ABM Treaty?

My own judgment is that leaving open the expectation or even the possibility of open-ended defense capabilities on the two sides would, and indeed should, prevent strategic offense force limits from being imposed.

Fortunately, the ABM Treaty is not about to be abrogated. The Soviets may be willing to paper over the differences between the United States and Soviet positions on the definition of SDI limits and on whether the ABM Treaty stays in force or self-destructs after a period during which both sides agree not to withdraw from the treaty.

If so, their purpose may well be to put the Congress in the position of policing U.S. compliance with the traditional interpretation of the ABM Treaty. I think that undesirable—the less defined the limits, the more asymmetrically they are likely to be observed.

The Supreme Soviet is hardly the watchdog that the U.S. Congress is likely to be.

I don't think the Congress should be put in that position and would, therefore, press for a clearer definition on these issues.

My views are more flexible on the form that such a definition might take—whether a list of or a set of criteria for experiments that would be allowed and forbidden, or limitations on the number of experiments and where they might be carried out.

I would also leave open the possibility of a START treaty or perhaps a framework agreement this year, with a commitment to update and clean up some of the ambiguities of the ABM Treaty afterwards, and unilateral statements by one or both sides that continued observance of START depends on an acceptable ABM outcome.

All of that depends on the details of the negotiations.

But the ABM Treaty is now more than 15 years old. Technical advances have been made. The political relationship between the United States and the Soviet Union has undergone a cycle. The principles of more intrusive verification and cooperative measures have been accepted in connection with another treaty.

We have considerably more experience about the ambiguities in the ABM Treaty as it stands and about the way the two sides react to those ambiguities. All of those elements call for an update, in the full knowledge that such an update will, itself, leave some ambiguities and difficulties.

LIMITATIONS OF SDI PROGRAM

To summarize, Mr. Chairman, the prospect held out 5 years ago that SDI could protect populations has not been fulfilled and, in my view, is unlikely to be. More limited goals may be, and in some cases are, feasible. But their desirability has yet to be established.

One cannot, however, rule out the possibility of favorable future surprises that might make ambitious goals feasible. We do need both to deter and to provide a possible response against a Soviet breakout from the ABM Treaty. We may decide that defensive systems with more limited goals can in the future contribute to the stability of the strategic balance and to U.S. security.

EMPHASIS ON VIGOROUS R&D PROGRAM

For all these reasons, a vigorous research and development program continues to be appropriate.

It needs to be integrated more effectively than it has been so far into an overall strategy and program for our strategic nuclear forces, and this, in turn, needs to be part of a comprehensive approach that includes our strategy, our weapons programs, and our arms control negotiations and goals.

I have indicated some of my own views on these issues; but these matters can be settled only by an Executive Branch policy, formulated in consultation with and endorsed by the Congress.

In my view, that is an urgent task for the administration that will take office next January, whatever its political complexion.

Thank you very much, Mr. Chairman.

Chairman STENNIS. Dr. Brown, we want especially to thank you very much.

HEARING PROCEDURE AND FLOOR VOTES

I don't have any additional information, Members of the Committee, about the situation on the floor, except that there is an expectation of some votes in possibly the near future.

We will not have a strict enforcement of the so-called "10-minute rule," but we will use that as a guideline. We are, of course, all under the pressure of the floor for what could beimportant votes.

We will just proceed here now and will try to follow the order in which you came in.

I will call first on Senator Stevens, of Alaska, who is the Ranking Member of the Minority.

I will notify you at the end of your 10 minutes, reminding you that you have used that much time, in an effort that we may all have a chance to be heard.

Senator STEVENS. I appreciate your calling on me, Mr. Chairman, because I have to leave to go to another committee.

I, too, want to join you in welcoming Dr. Brown. I was just sitting here and thinking about the great advantages of our system, that we can have men and women—but in this case particularly men—who have the background that Dr. Brown has, who will continue to give us their advice and who will keep up with the development of the very comprehensive and critical programs in our national defense.

Harold, I welcome you again.

COMPROMISE STATEMENT ON LONG-TERM RESEARCH ON SDI

It was on the basis of your testimony last year, as a matter of fact, that Senator Proxmire, I, and others worked out a compromise statement of our goals for long-term research and the advantages of long-term research to SDI.

My first question would be do you think that the level you mentioned, which I believe is roughly what it is now—$3.5 billion to $4 billion—is really sufficient to sustain the approach of a long-term commitment to SDI?

Dr. BROWN. I believe, Senator Stevens, that that amount of money, if properly allocated, can assure that the long-term research and development that might reveal—I don't have any great confidence that it will, but it might—a way to protect populations could be supported.

At the same time, I think that amount would allow enough money for short-term research and development on some of the more limited goals, largely ground-based, that could be aimed at protecting strategic offensive forces or a thin defense against accidental and/or unauthorized launches.

I should say that I am not advocating the deployment of such systems. I am not convinced that any deployments ought to be decided on in the near future. And, I would add, that $3.5 billion to $4 billion is not enough to do the things I described and at the same time do preproduction work, that is, get ready for decisions on deployment in the near-term future.

So I think a distinction needs to be drawn: $3.5 billion to $4 billion is enough for what I think needs to be done, and that certainly includes the specific goal that you mentioned, Senator Stevens.

ALPS SYSTEMS

Senator STEVENS. I noticed your comment about ALPS, and that was going to be my next question, as a matter of fact, whether you have the feeling that we are sufficiently along now that we might look to at least the ground-based systems to be consistent with ABM as a target for immediate accomplishment, as a goal for immediate accomplishment, "immediate" in the sense of the near-term, in addition to long-range.

Are you keeping the ALPS type money and the long-range in that $4 billion? Do you think it is possible to do that in $4 billion?

Dr. BROWN. Well, I have not made a detailed budget analysis.

My own view is that you can do the study and some of the early design for what an ALPS program would be like within that amount.

You cannot do within that funding, and I would not go ahead at this time with a plan for deployment, for reasons that I give in my testimony. And I would note—I don't want to try to read his mind—but I would note that Senator Nunn, with whose name ALPS is associated, has not proposed such a deployment. He has said that we ought to take a look and see whether this is worth doing.

I would certainly support taking a look and seeing whether it is worth doing.

My first reaction is that, as proposed, it has insufficient decoy discrimination capability and insufficient geographical reach to be able to defend populations significantly.

My recollection of the geographical situation is that west of the Sierras and east of the Appalachians, the country would be undefended by such an approach.

Now, that is a way to compensate for the economic disparities between the center of the country and the coasts, but I am not sure that is the best way to do it.

PROTECTION AGAINST UNAUTHORIZED LAUNCH

Senator STEVENS. I sense a growing feeling, as I have travelled around the world and talked to other people, of a fear of the "Dr. Strangelove" conflicts, that the terrorists would launch an unauthorized launch. That fear is growing and we would do well to direct a portion of our research toward at last the definition of what could offset that.

Do you think ALPS is well enough defined to proceed to a concept of pre-production now?

Dr. BROWN. No, I do not.

Again, let me refer to my prepared testimony in explaining why not.

The most likely unauthorized launch, as I see it, is the launch from a submarine, because that is least under the control of the central authorities. I don't consider it at all likely; but if you are going to look at unauthorized launches, you ought to look at that one.

That is over 100 warheads, maybe as many as 200, in terms of our own submarines, and I would say the Soviets are in the same range.

Moreover, if we have any defense, the Soviets will have decoys because they will feel constrained, as we are constrained by the prospect of Soviet defenses, to put decoys on our missiles.

In that case, you are facing a pretty sophisticated and rather massive attack, and ALPS, as originally conceived, does not have a significant decoy discrimination capability.

Moreover, since it is only 100 interceptors, it cannot begin to intercept that size attack.

Now, you can start to augment it, but then you are in the measure/counter-measure/counter-counter-measure game and I am not clear how it is going to work out.

In any event, you would then violate the ABM Treaty. You would have to redo that, and you would be off to the races.

I am not saying that you shouldn't look at this. I am only giving you my initial reaction, which is that against the most significant unauthorized attack, ALPS, as originally conceived, is an inadequate response.

I share the concern about unauthorized launch or accidental launch or third country attack. But I don't think those are for the rest of this century the things that we ought to worry about as most likely to lead to a nuclear war. What is most likely to lead to a nuclear war is a nonnuclear war that escalates. We should concentrate on how we control our nuclear systems and how we deal with the politico-military aspects of that.

Senator STEVENS. Let me ask you just two last questions, and I hope I am not going to embarrass you by asking this one.

LEADERSHIP OF SDI PROGRAM

You are involved, as Chairman of the Johns Hopkins Foreign Policy Institute, and you have been involved in other institutes and maintain your relationship to defense policy analysis. Are you satisfied with the leadership of SDI, with General Abrahamson and those who are with him in setting the goals and the parameters of the research and the expenditure of the money that we have provided today?

Dr. BROWN. I think that General Abrahamson is a very fine program manager. I think that the program has during the past 2 or 3 years gotten a great deal of information. It has gained somewhat in coherence. There still remain difficulties. I would attribute those largely to the problem of political—and I don't mean partisan political—of political "guidance" that the SDI office gets.

They are trying to be responsive both to the Executive Branch, for which they work, and to the Congress, which provides them with their funds. If they find difficulty in hearing a coherent message, I don't blame them because I don't hear a very coherent message myself.

The goal keeps changing. The funding is up for grabs every year. Some of that is inevitable. But it has negative consequences.

Senator STEVENS. I will ask just one last question, if I may, Mr. Chairman, and then I will have to leave.

MICROMANAGEMENT

You mentioned micromanagement, really. Many of us have had our own sights as to what ought to be included in SDI and what ought to be excluded. I got into the miniaturization of accelerators, as I believe you know. I think that is something that is absolutely necessary if we are ever going to go into space. It is also absolutely necessary today for the college community. If there are going to be more colleges and universities involved in research, such as the PET scan and other applications of nuclear medicine, we have to miniaturize the accelerators.

I have had long talks with our friends over there because of that. I can say that we tried to earmark some money. We didn't do it in a way that they had to spend it that way. We just said we would like to have them spend it that way.

Are you of the opinion that we are micromanaging money too much?

Dr. BROWN. Sure you are.

But, as my friend Jim Schlesinger says, the Framers of the Constitution did not set up this government to be the most efficient possible. They set it up to be democratic.

Chairman STENNIS. I'm sorry, but I feel like I ought to intervene. Your time has run out, Senator.

Senator STEVENS. Yes, Mr. Chairman.

Thank you.

Thank you, Dr. Brown.

Chairman STENNIS. Thank you, Senator Stevens.

Senator D'AMATO. Mr. Chairman.

Chairman STENNIS. I am about to turn now to the next Senator in order, who has been here for quite a time.

PREPARED STATEMENT

Senator D'AMATO. Mr. Chairman, if I might, I would just like to put my statement in the record, as if read, in its entirety.

Chairman STENNIS. All right.

We would be very glad to have your statement for the record.

I am glad you have come. I hope you can stay and that you will stay as long as you can.

Senator D'AMATO. Thank you, Mr. Chairman.

[The prepared statement of Senator D'Amato follows:]

PREPARED STATEMENT OF HON. ALFONSE D'AMATO

U.S. SENATOR FROM NEW YORK

Mr. Chairman, I would like to welcome Mr. Harold Brown, Chairman of the Johns Hopkins Foreign Policy Institute and former Secretary of Defense, and I look forward to his testimony.

Strategic defense for our Nation and the impact of such a program on the ABM Treaty are among the most controversial issues before this Congress. Nothing less than our Nation's future security is at stake. The Administration stands behind its broad interpretation of the Treaty in theory, but continues to adhere to the traditional interpretation in fact. As SDI technologies develop, however, it will become increasingly difficult and costly to keep the program within the restrictive interpretation.

For fiscal year 1989, the Administration had requested $6.2 billion for SDI. Under the budget agreement, that request was revised down to $4.5 billion. The Senate Armed Services Committee reduced this figure further to $4.25 billion. Congress appropriated $3.53 billion for SDI in FY88.

I am concerned about reports that the Soviet Union is spending 15 times the U.S. expenditure for strategic defense. Although we hold a technological advantage, I fear such aggressive Soviet spending could close this edge in the near future. The Soviet Union has the world's only operational anti-satellite capability, as well as the only operational anti-ballistic missile system. The U.S.S.R. is actively developing and modernizing its air defense and surface-to-air missiles. This advantage in strategic defenses offers Moscow an increasing ability—and, perhaps, the temptation—to pre-empt the retaliatory forces of our Nation and those of our allies.

The President has issued reports citing Soviet noncompliance with arms control agreements. According to the reports, the installation of the Krasnoyarsk radar is an outright violation. In addition, the Soviets' concurrent operation of air-defense and ABM components and their development of modern air-defense systems that may have ABM capabilities, are probable violations.

The issue of deployment of an actual ballistic missile defense system will not arise for several years, and only after the necessary preliminary research has determined that such systems are both feasible and cost-effective. We must continue a robust program of research and technology development not only for the possibility of technological breakthroughs, but to deter, or respond, to a Soviet breakout from the ABM treaty.

It is important to remember that the first consideration is not the sanctity of the ABM treaty—it is the defense of the United States. Our Nation needs the Strategic Defense Initiative. SDI must continue as planned and with proper funding.

Thank you, Mr. Chairman.

DETERRENCE FACTOR

Chairman STENNIS. Senator Proxmire.

Senator PROXMIRE. Thank you, Mr. Chairman.

Secretary Brown, I am convinced, as I suppose many people are, that what has kept the peace for such a long period in Europe, the super power peace, is the credibility of the deterrent, the nuclear deterrent, on both sides.

Chairman STENNIS. Would you bring your microphone a little closer, so that everyone can hear what you are saying.

Senator PROXMIRE. Now, it seems to me that the one purpose of SDI, the prime purpose, the overwhelming purpose, is to destroy the credibility of the deterrent of the other side. If it succeeds in reducing the damage that nuclear war would do, if it succeeds, and you indicated that this was a possibility—you think it is unlikely, very unlikely, but a possibility that it might permit a nation to survive an all-out nuclear attack, and, therefore, in a sense "win' a war—doesn't SDI destroy the best hope that we have in the future because it has been the best force in preserving the peace in the past?

What is the answer to that?

Dr. BROWN. There is no answer. It is a dilemma.

It is a dilemma that has existed, Senator Proxmire, since the invention of nuclear weapons, certainly the invention of thermonuclear weapons.

I happen to agree—and, of course, it is a feeling; nobody can prove it—that peace, or the absence of a world war, the absence of a U.S.-Soviet war, is, in part, the result of nuclear deterrence. It is not only that.

One can argue that the terrors of a conventional war are enough to keep such a world war from happening; that the stakes are too high; the advantages that the Soviets might get from an invasion of Europe aren't great enough, and so forth. But I happen to feel that if nuclear weapons had never been invented, it is at least more likely that there would have, given the political, military, ideological differences between the United States and Soviet Union, been a war between us.

Certainly it is true that the extreme version of SDI, the augmented extreme version, with air defense as well, would if it worked prevent nuclear weapons from ever being delivered on the homeland of the United States and, if you share the technology with the Soviets, on the Soviet Union as well.

What you have to weigh is the reduction in the chances of war through the existence and effectiveness of nuclear weapons against the enormity of the catastrophe that would occur if there were a war with nuclear weapons. Everyone in that hypothetical balance will come up with his or her own conclusion.

I guess I think the world would be better off with no nuclear weapons. But that is not a realistic world. Even if you abolished them all, you could not abolish the knowledge that would enable you to remake them.

Then the question is could you go to a situation in which there were many fewer nuclear weapons, verifiably so, and a defense which, although it could not work against 10,000, might work pretty well against 100? That is an appealing thought. I think maybe that is part of the dream that appealed to President Reagan. And it is hard to say that it does not appeal to all of us.

I think it does.

I don't see how you get there. I don't see how you are stable when you get there. But I am willing to keep working on it.

It is one thing, however, to keep working on it in terms of research and development: it is another thing to hold this out to the public as an expectation.

SDI PROTECTION OF NUCLEAR WEAPONS

Senator PROXMIRE. Some people argue that SDI can be used to preserve our deterrent, to protect our nuclear weapons.

There it seems to me we have a deterrent now——

Dr. BROWN. It's the opposite.

Senator PROXMIRE.—we have a deterrent now which is 75 percent in submarines and bombers, and as I understand it, it is 50 percent in submarines alone.

Now, I cannot understand how SDI can protect submarines at sea, and, of course, many of our submarines are at sea, far, far more than we would need to utterly destroy the Soviet Union.

So it seems to me that SDI, as a means of making our deterrent more credible, in view of the nature of our deterrent, is not of convincing purpose.

Dr. BROWN. Well, we have been discussing defense as a replacement for deterrence. The point you raise now is, of course, exactly the opposite.

Senator PROXMIRE. Right.

Dr. BROWN. It is defense as an enhancement of deterrence.

Let me go through this very briefly.

TRIAD SYSTEM

You are correct. Our deterrent capability is embodied in our submarine launched ballistic missiles, our bombers, and our land-based intercontinental ballistic missiles, with most of the warheads in the submarines.

As you go to smaller numbers of submarines, which some of the START agreements seem to foreshadow, concern about their survivability increases. That is part of the reason for having a triad, so that erosion of confidence in any one of the elements does not erode confidence in our overall deterrent. That is why the so-called "window of vulnerability" which was applied to the Minuteman missile, but which was a misnomer as applied to the overall deterrent of the United States.

But it is, in my judgment—and not every expert agrees with this, or every military person or every political leader—in my judgment, it is important to preserve the survivability of our land-based ICBM's because they are the most controllable part. They provide you with a prompt, controllable, hard target kill capability which, if you go through scenarios, all of which, of course, are both speculative and imagined, does have some advantages.

Senator PROXMIRE. Even the land-based, however, can be made less vulnerable by making them mobile and by hard targeting—not completely, of course. But it would seem to me that might be a more economical and even a more efficient and effective way than relying on some kind of SDI protection.

Dr. BROWN. The way I look at it is that unless you make them inherently less vulnerable by some combination of mobility and multiple silos or whatever, and by increasing the survivability of—by hardening, mobility and multiplicity of targets—a defense, an antiballistic missile defense overlay will not be cost-effective.

If you do that, then it can be cost-effective. That does not mean it is necessary. But it could then be cost-effective. Then, whether you do it or not really depends on what combination of active defense with passive measures—mobility, hardening—is the best way to respond to the possible threat.

As I indicated in my prepared testimony, if the Soviet numbers are limited to a fairly low level by a START agreement, then ABM defense of ICBM's becomes less necessary because they won't have enough offense to overwhelm the passive measures and the active measures then become less necessary.

I think that is something that would have to be decided in the event.

Chairman STENNIS. Gentlemen, I hate to break in on you.

Senator PROXMIRE. My time is up. I will be back, Mr. Chairman. Thank you.

Chairman STENNIS. All right. Thank you.

Senator Johnston.

RESTRUCTURING OF SDI

Senator JOHNSTON. Dr. Brown, welcome to the committee.

It is a great pleasure to have you here, especially because I agree with everything you say, and you say it so well.

I believe that SDI is on the verge of being restructured because there is not enough money and no conceivable way to get enough money to do any of the goals that have been talked about, even a Phase One goal. So they have restructured, they are getting ready to restructure, on a six-phased Phase One. I think you are familiar with that.

Dr. BROWN. I am.

Senator JOHNSTON. It looks to me like the early phases of that will be built around or sold through the rubric of accidental launch.

So I think it is very important that we analyze, as you have done here, the danger of accidental launch, the methodology by which it might occur, and the real danger.

As I understand it, you say that with respect to a submarine, accidental launch, a defense against accidental launch is not really appropriate because of the massive nature, the 200 warheads or so.

Dr. BROWN. It is "unauthorized launch," because I don't think you can launch a whole boat-load of missiles accidentally.

Senator JOHNSTON. Okay. Let's get into that because it was mentioned once on the floor. Suppose you had a fire in a submarine—I guess they thought it would blow up like firecrackers or something. The missiles must be electronically launched and pushed out with a gas, and all of that, and that just does not happen other than by pushing the buttons, is that right?

Dr. BROWN. That's right.

I mean, one can conceive of, although I think the probability is really zero, a single missile going off by accident. I think one cannot say that the probability is actually zero. But it is so much lower than the probability of lots of other ways of getting into a war that I would rule it out.

But I do think that for 20 missiles to go off from a submarine accidentally is not feasible.

Senator JOHNSTON. Yes.

We should not spend any money on a short-circuit or whatever, where one missile goes off. I mean, the idea is unauthorized launch, and you cannot appropriately defend against that because it is such a big launch from a submarine.

Dr. BROWN. That is my estimate. I think a careful look needs to be taken here. But that is my estimate.

ICBM CAPABILITIES

Senator JOHNSTON. Point two is ICBMs. Do I understand that ICBMs have a whole array of missiles out there under a single control as well?

Dr. BROWN. I know about the U.S. arrangements better than I know about the Soviet arrangements.

I believe that the Soviets can launch many of their missiles from a single control point.

Senator JOHNSTON. Would you say that it is similar, that the similar conclusion is there with respect to ICBMs as with submarines, that is, that you are not really worried about the accidental launch, the crossed wires or such, but you are worried about the unauthorized launch, and if it is an unauthorized launch, the probability is that you also have a massive number of warheads with penetration aids as well?

Dr. BROWN. It is less clear in the case of the land-based ICBMs because command and control is better for land-based ICBMs. That is part of the reason why we ought to keep our ICBMs in the force and survivable.

I think, for ICBMs, as for SLBMs, one cannot rule out the possibility of a single, accidental firing. I think it can be made vanishingly small, and I think there are other ways to go at it, even including, although I am very skeptical about this one, too, command destruct of such launches, of accidental launches. But I think you cannot rule them out.

Senator JOHNSTON. Well, is that danger enough to spend serious money to defend against?

Dr. BROWN. I would not at present decide to deploy an ABM system on the basis of that threat.

Senator JOHNSTON. All right.

TERRORIST-INITIATED LAUNCH

Now, regarding the terrorist kind of launch, the Secretary of Defense I think mentioned Libya acquiring some kind of ICBM or something. Really, that I believe is implausible as well, because there are so much cheaper and more effective ways to deliver those weapons—suitcases, airplanes, low trajectory submarine launched missiles—any number of ways in which the perpetrator would not be found out, whereas if he launched a rocket, we would know exactly where it came from and could respond to it.

Is that not correct?

Dr. BROWN. I would agree that delivery by terrorist organizations or terrorist nations would, for the next couple of decades, be less likely by ballistic missile than by smuggling it in or by light aircraft delivery.

Senator JOHNSTON. That's right.

Dr. BROWN. After all, light aircraft fly over the border all the time.

Senator JOHNSTON. Is there a conceivable threat, a real threat, that you can think of against which accidental launch might be cost effective and appropriate?

Dr. BROWN. It is hard to measure what is cost effectiveness in this case.

Senator JOHNSTON. Let's say appropriate, then.

Dr. BROWN. At present my judgment is that it has not been demonstrated that this is the most effective way of spending money to prevent those things from happening.

If you look at each one of these, I would say that it is not sufficient to justify a deployment.

Now, when you add them all together, you might reach a political conclusion that it is justified. I do not. But one might.

Senator JOHNSTON. Well, isn't it a rather clear conclusion on your part?

[General laughter.]

Senator JOHNSTON. The reason I ask that is I can see it coming right now. I mean, we are going to be asked to spend billions of dollars on accidental launch and we can say well, Dr. Brown says that we have a threat and we can't rule it out and you might want to do it——

Dr. BROWN. Okay. You have pinned me down and I will answer.

I think the original Phase One approach was an attempt to get a foot in the door for a considerably more ambitious program. I think that those who really push SDI, including the original initiative for SDI, are aiming at a transition to a defense-dominated balance.

My position, my judgment, is that this is not feasible in the foreseeable future. That position has won the political argument, having had the best of the technical-military argument to begin with. And so, there was a retreat in Phase One to a foot in the door, aimed at much more limited goals.

That in turn is now ruled out as a result of a comparable dialogue and argument. Now what you are going to get is an attempt to get a toe in the door.

I don't think it is justified.

I do believe it makes sense to continue to fund an R&D program even though a $3.5 billion or $4 billion a year R&D program is going to be assailed on the basis that you are spending a lot of money with no prospect of any deployments.

I am in favor of doing that because it is insurance—insurance against uncertainties, insurance against changes.

And all the money that we spend on strategic forces is insurance. This is another kind of insurance.

Chairman STENNIS. Excuse me, please.

Those bells are a vote that is actually on now. It has just come on, gentlemen, a couple of minutes ago.

Dr. BROWN. Well, I will finish my answer in 30 seconds and then we can do whatever the Chairman wants to do.

I would continue with a $3.5 billion to $4 billion a year R&D program. I would direct it at things that are longer-range, technologies for population protection, and further studies of design of these more limited goals. But I would not make any commitments to preproduction money or to deployment for these more limited goals.

Chairman STENNIS. Gentlemen, there is a 15 minute vote on, I am advised.

Senator Hollings is here and has not yet had a chance to ask his questions.

Senator, you have 15 minutes, I am told.

Senator HOLLINGS. I thank you, Mr. Chairman, and I thank Senator Johnston.

Secretary Brown, I welcome you back. I was going to give you just as hearty a welcome as Senator Johnston gave you, up until the point where he said he agreed with everything you say. That scared the dickens out of me.

[General laughter.]

Senator HOLLINGS. This is because I happen to be a proponent of SDI.

FUNDING TO CONTINUE R&D OF SDI

I have listened as best I can—and I apologize for coming in late, but I had other requirements—and I don't find necessarily—though I will have to study your statement—that we differ.

I remember the old BMD program, the Ballistic Missile Defense, Mr. Chairman, which was under the Army at Huntsville. Along came President Reagan, and he "overspoke." He described BMD as an umbrella and he called it SDI and he gave it to a crowd that knows how to spend money, namely the Air Force.

It was up, up and away.

Well, I joined many of my colleagues who favor SDI to a point. But I stop at where Secretary Brown stops—let's continue the R&D, the testing, and see what we have before we commit to any kind of deployment. We must first know that it is economically or militarily feasible.

Is that what you are saying, Mr. Secretary?

Dr. BROWN. Yes.

But the disagreements are in the details, Senator Hollings.

I would not commit anything to deployment. You also have to make selections among the research and development activities because, at $3.5 billion or $4 billion a year, there are more claimants than there is money. Which things you work on depend on which goals you think are important.

If you could defend the population, clearly that would be important. So you would spend some long-term R&D money on that.

If you think accidents or unauthorized launches are important to defend against, then you look at more limited and probably largely ground-based defenses that are nation-wide.

If you are looking for defense of ICBMs, which Senator Johnston and I just talked about, and Senator Proxmire and I talked about, then you go for hard-point defense. Those decisions, those allocations, have to be made on that basis.

TESTING OF SDI

Senator HOLLINGS. With limited time, Mr. Secretary, on the matter of testing, I did have the privilege of meeting you in the test in Helsinki in 1971 on SALT I. I met with General Allison, Ambassador Gerry Smith who was in charge, and Paul Nitze and yourself. I have correlated, because of the dispute about testing, and the ABM Treaty, the statements of all concerned. Starting with Ambassador Smith who on three occasions before Congress, and particularly in his book, acknowledges that research and testing of future ABM technology is allowed, though not deployment. Agreed Statement D in the Treaty is the provision permitting SDI research and testing.

I have the statements of Paul Nitze who after careful study came down on the side of testing, and the actual testimony of General Allison, General Palmer and Admiral Moorer.

Secretary Brown, in a letter which I do not have, but I think I would guess the date as September 21, 1977, in DOD's 5-year review of the ABM Treaty I am confident that you as the Secretary of Defense reported that the Joint Chiefs considered testing in space permissible.

I wish you would look at that letter because I have seen some other statements of yours and I don't know whether that would jog your memory or not. I would be glad to try to obtain a copy of the letter.

Dr. BROWN. I would have to look at the letter. Some testing in space clearly is allowed. The question is how much.

Agreed Statement D—well, this has been gone through so much, I don't want to rehearse it any more.

My own belief is, and was, that ground-based testing is allowed without limit; space-based testing of systems or components of an ABM system is not allowed; but those are not all that clearly defined.

Senator HOLLINGS. Very good, sir. Please look at that letter because I am using you as my authority.

Dr. BROWN. Well, I would love to see a copy of it. I don't keep a full set of files. If you could make a copy available to me, I will explain it to you.

Senator HOLLINGS. I will, and it is pretty self-explanatory and I appreciate that.

I like using you as an authority.

Thank you, Mr. Chairman.

Chairman STENNIS. Thank you, Senator. Thank you very much.

Thank you, Dr. Brown. I want especially to thank you for all of the testimony you gave here. If you should have a desire to supplement some of those points or to raise additional points, you certainly have that authority. In fact, we give you an invitation to do that.

Thank you for coming and staying and answering our questions.

I suppose we had better recess now.

Do you have anything special that you would like to put in, anything additional?

Dr. BROWN. I have nothing more to add. If anything occurs to me, I will submit it for the record, Mr. Chairman.

Chairman STENNIS. You have that privilege if you think you wish to do so at a later time. We certainly want to especially thank you for your appearance here today.

Dr. BROWN. Thank you very much, Mr. Chairman.

SUBMITTED QUESTIONS

Chairman STENNIS. Senator Proxmire has submitted some questions for the record.

Thank you very much. This has been very good and you have been number one.

Thank you all very much.

[The following questions were not asked at the hearing, but were submitted to Dr. Brown for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PROXMIRE

QUESTIONS ON THE STRATEGIC DEFENSE INITIATIVE

Q. Which of the long-term research programs do you think has the more promise?

Neutral Particle Beams
Free Electron Lasers
Space-based Chemical Lasers
X-ray Lasers

A. I believe that the space-based chemical laser, in the medium term, and the free electron laser, in the long term, have the most promise for the more demanding tasks of SDI. This is because the energy density that might in the future be possible with each of them could be high enough to destroy hardened reentry vehicles. The neutral particle beam is more likely to be useful as a mid-course target discriminator, because usually when it does lethal damage there is unlikely to be a clear indication of kill. The X-ray laser is potentially very effective, but more effective as an anti-SDI than as an SDI component because it shoots upward to a greater range than it shoots downward. Moreover, it is so far from being demonstrated in terms of physics, let alone engineering, that if it every proves feasible it will be in a much later time frame.

Q. What would your advice be to the next President, Democratic or Republican, as to the pace and scope of the SDI Program?

A. My advice to the next President as to the pace and scope of the SDI Program is described in my testimony: A funding level of 3.5 to 4 billion dollars a year, largely as insurance. Concentration on the technology of longer term approaches using directed energy weapons as the only possible path to population defense. Parallel concentration on design and evaluation of systems that would be largely ground based (except for some space-based sensors) and aimed at more limited purposes—hard point defense of strategic retaliatory systems, a thin defense against light accidental launches, etc.

Q. If you were Chief of the General Staff of the USSR, which specific actions would you take with your force levels—quantitatively or qualitatively—to counter deployment of Phase I of the SDI Program?

When you begin to take these steps, would they be underway in time to meet a deployment date by the year 1988 or 2000?

A. To counter deployment of Phase I of the SDI Program, I would go to faster development of fast burn launchers and improved anti-satellite systems. They would be underway in time to meet a deployment date well before the year 2000.

SUBCOMMITTEE RECESS

Chairman STENNIS. The subcommittee is now adjourned.

[Whereupon, at 11:05 a.m., Tuesday, May 17, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1989

THURSDAY, MAY 26, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m. in room SD–192, Dirksen Senate Office Building, Hon. John C. Stennis (chairman) presiding.

Present: Senators Stennis, Johnston, Sasser, Stevens, D'Amato, and Cochran.

DEPARTMENT OF DEFENSE

ASSISTANT SECRETARY OF DEFENSE

(INTERNATIONAL SECURITY AFFAIRS)

STATEMENT OF HON. RICHARD L. ARMITAGE, ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS)

U.S. Defense Posture in Pacific Rim Nations

OPENING STATEMENT OF SENATOR STENNIS

Chairman STENNIS. All right, ladies and gentlemen, if we may have order so that all may be heard and time may be used, we have a situation on the floor of the Senate that I think is going to allow us a reasonable amount of time here this morning, and certainly we want to use all we can.

I found these facts here to be very interesting, very illuminating, and calling for action of a kind that made me think, as I have said before, that I got here as a member of the Senate, the war started in Korea. It happened mighty fast, mighty quick—a very important part of history was written.

I have enjoyed going through all the testimony you turned in here to use today. I recommend to all the Members particularly that they read all these relevant facts. A valuable member of our staff, Mr. Scott Gudes, went over all of it with me today.

I think we will have 2 hours, at the least, before there is a vote, although it could come within a much shorter time. I think we can make hay and move right along. We will distribute all the time around among the Members as well as the witnesses. My idea of the value of having a hearing of this kind is that it puts it out on the record, available to not only the membership but it is available to all Members of Congress, available to anyone that wants to see it, except any part that is classified.

Now we have grown so much in the money world of the activities of the government that we have a hard time getting glimpses of it. We have this year, for instance, a total budget of over $1 trillion. That is a pretty big order when you go to going around. So let us move right on now, gentlemen.

Senator, do you have anything you want to say?

Senator JOHNSTON. No, thank you.

Chairman STENNIS. May I ask permission to insert in the record the remainder of the opening statement that I had prepared but did not get to?

[The statement follows:]

OPENING STATEMENT OF CHAIRMAN STENNIS

Ladies and gentlemen and members of our Subcommittee, the Appropriations Subcommittee will now come to order.

Today, we will hear from the Assistant Secretary of Defense for International Security Affairs, Mr. Richard Armitage; the Assistant Secretary of State for East Asian and Pacific Affairs, Dr. Richard Sigur, Jr.; and the Commander-in-Chief of United Nations and United States Forces in Korea, General Louis Menetrey. Today's hearing concerns U.S. defense posture in the Pacific rim nations, specifically South Korea and Japan.

The United States has important security, economic and political interests in South Korea and Japan, and has been committed to their defense since the end of the Second World War. We currently station 94,000 military personnel, employ 41,000 civilians, and support 59,000 dependents in South Korea and Japan.

Our economic relations with South Korea and Japan have undergone significant change in recent years. The U.S. trade balance with South Korea has shifted from a surplus to a deficit of more than $10 billion this year. Our trade deficit with Japan will likely hit a staggering $60 billion in 1988. Yet, while the economic relationship has changed, the U.S. taxpayers are still shouldering much of the cost of defending these nations. This year alone, the devaluation of the U.S. dollar, caused in part by trade imbalance, has added another $400 million to the cost of stationing our forces in South Korea and Japan.

The Defense Appropriations Subcommittee is pleased to have you gentlemen here today. Scarcely a day goes by without the media carrying a news story on our changing relationship with these countries. With respect to South Korea, we want to discuss changes that are likely to evolve in our relationship as that nation grows economically and politically. Given this nation's rapid economic growth relative to North Korea, we want to examine how long the United States must continue to maintain all 44,000 troops currently stationed in South Korea. In the case of Japan, we want to discuss why U.S. taxpayers should continue such a high level of support for a nation that spends the least of any ally for defense. According to Secretary Carlucci's recent burdensharing report, in 1971 Japan ranked 15th in total defense spending as a percent of Gross Domestic Product, but in 1986 had fallen to 16th, even behind Luxembourg.

Gentlemen, as you know, deficit pressures necessitate lower defense spending. The Summit Agreement recognizes reductions in defense programs are required to bring spending in line with overall budget constraints. We simply must look to our allies to support more of the cost of defense.

We look forward to hearing from each witness and their reports concerning recent burdensharing discussions with both South Korea and Japan.

INTRODUCTION OF MR. ARMITAGE

Chairman STENNIS. All right. The first witness is Mr. Richard Armitage, Assistant Secretary of Defense for International Security Affairs. This is a highly important position and I am glad you could be here. You just proceed in your own way.

Mr. ARMITAGE. Thank you very much, Mr. Chairman. Good morning.

Chairman STENNIS. We will not put any time limitation on you now, but we may have to go to that later.

Mr. ARMITAGE. Thank you very much. If you would submit my written testimony for the record, I will make a few brief opening remarks.

COMMENDATION OF CHAIRMAN STENNIS

However, before I do, I want to say that for this witness it is an honor to be appearing before you, Mr. Chairman, in one of your final appearances at this particular table.

It is quite awe-inspiring for me as a witness to be sitting here, realizing that you have been serving in the U.S. Senate and serving the country almost as long as I have been alive. That fills me with a great deal of awe. Speaking for the Department of Defense, I also want to say that we are very much indebted to you for all your endeavors over these many years.

SITUATION IN PACIFIC AREA

If I might continue, we are here today to talk about Asia, and I cannot think about Asia without reflecting on the vast amount of American treasure that has been expended and, indeed, the American blood that has been sacrificed in Asia in the past 45 years in three wars. But today we enjoy an Asia and a Pacific which is pacific in fact as well as in name.

Whether this is due to good government or to good luck, or a combination of the two, I am not quite sure, but to the extent that it is good governing, the two fellows who are sitting on my right and left are very much responsible for the fortuitous circumstances we have in the Pacific today.

Moveover, it has been a team effort that has truly enjoyed bipartisan support. The ideologies and the side of the aisle that one sits on have not interfered at all with the development of Asia policy over the past 7½ years. This is a testimony to the Congress and to those in the administration who work Asia policy, and I hope it continues.

BURDENSHARING

There are many topics you would like to cover today, Mr. Chairman. I would like to address very briefly the question of burdensharing. I do not like the term "burdensharing" in isolation; I prefer to use the term "burdensharing for democracy," because it is my belief that we cannot assess in isolation the value of our exertions and the value of the exertions of our allies without understanding their purpose.

As you gentlemen, with your responsibilities, know better than most, the governments of free peoples will not support major investments without truly understanding the benefit to them of those investments. This is true here, and in Japan, Korea, the Philippines. It is true in all these now-democratic countries.

When we talk about burdensharing for democracy, I hope we also realize there are benefits that we receive already. We have no foreign troops stationed on our soil, no foreign warships anchored in our ports, no foreign fighter planes flying over our lands, and no foreign tanks chewing up our farmers' fields. Yet we are the most secure, the most prosperous nation in the world, and I do not know of any of our allies who would not trade their own security situation for our own today. This is a benefit we enjoy.

We have another benefit, Senators Stevens, Johnston and D'Amato, that we enjoy when we go anywhere in the world and speak about security matters. At home or abroad, we receive an unparalleled hearing, and our voices are accorded enormous audiences.

I would have to admit, as Senator Stevens perhaps knows better than most, that I had some initial worries and concerns about this burdensharing issue. I was afraid that what some were doing on Capitol Hill was heeding a siren call for isolationism, and I felt that this call was a reflection of some vague anxieties and unease on the part of the American people which had not been quite articulated yet.

However, I must say that, after appearing before Senator Sasser's subcommittee and after conversing with Senator Stevens, moreover, after reading what has to be seen as an extraordinarily impressive series of statements on the floor by Mr. Stevens regarding Japan—in particular, the internal politics of Japan—I am convinced that I was wrong and that the Members of Congress, just like the members of the administration, are united on four basic principles.

The first is that the net result of all these efforts has to be an enhancement of our national security. The second is that we have a desire to strengthen the Free World against intimidation and against aggression. The third fundamental principle which we agree on is that we want our alliances to prosper. And the fourth, which we also understand very clearly, is that our alliances will not long survive without a sharing of roles, risks, and responsibilities.

We have engaged recently, in very close concert with Congress, in efforts regarding burdensharing in Asia. I chaired a recent meeting in Honolulu with our Japanese friends. Deputy Secretary Taft just completed a world-wide trip, and Secretary Carlucci is going to Seoul and to Tokyo to further these discussions in the next week, following the Moscow summit.

I believewe have already seen some success, and I predict to you that more success will be announced in the very near future. I would be more than happy, either privately or in closed session, to go into that at any length you would like.

I am looking forward very much to the weekend trip of Senator Stevens, who is going out to talk about energy matters but also about burdensharing. I have talked to the Japanese about this. You have a very impressive schedule set up, to include meetings with LDP Diet members who are concerned with security issues. We are delighted with that. I think, if you will allow me to use the term, we have advanced your trip, but I had told you we were going to do that when I saw you at a previous briefing.

The Congress and the administration now have to shepherd this process through to a successful conclusion and handle the issue in whatever way offers the greatest prospects for progress.

My view on this is that we have to point out the objective and define our rationale. We have to acknowledge what is being done already by our allies, and we have to urge and encourage our partners to do more. It is not just simply to make an indictment of our allies so that we can justify doing less.

We have to realize that burdensharing has many dimensions, and one of these dimensions is that burdensharing is power-sharing. We are going to have to be more facile, mobile, agile in our diplomacy. I think our legislators are also going to have to be more facile and agile in their presentations, just as the legislators in the Republic of Korea and in Japan are going to have to be more facile and more flexible in their understanding of international situations.

Finally, it is not a secret that our adversaries wish us ill. We have to carry out this process and get our allies to do more without our allies coming to wish us ill as well.

Thank you very much, Mr. Chairman. It is an honor.

DEPARTMENT OF THE ARMY

KOREAN SECURITY

Chairman STENNIS. Well, we thank you for your testimony. Additional Members have come in. Anyone who wants to ask a question or two briefly at this point, why I would open the doors for that, with the idea that we would get back to everyone as fast as we could.

Senator Stevens, you came in and I did not see you here to my left. I am glad you got here. Do you have a question or two you want to ask now?

Senator STEVENS. You are very kind, Mr. Chairman. I would prefer to hear the statements through, if you would.

[The statement follows:]

PREPARED STATEMENT OF RICHARD L. ARMITAGE
Assistant Secretary of Defense (International Security Affairs)

I am honored to come before you today to discuss the U.S. defense presence in the Pacific Rim, an area of the world which has provided more consistently good news for policymakers, and Americans in general, than most other regions of the globe in the nineteen-eighties. I commend the Subcommittee for providing an opportunity to reiterate and highlight the remarkable increase in the importance of the Pacific for the national interests of the United States.

In recent years, deterrence in the Pacific has been successful, as our fundamental national interests have been preserved without the sacrifice of American blood or the expenditure of American treasure. All the while, the Pacific Rim nations have shown a welcome trend toward greater stability, democratization, and economic development, as we had worked for and hoped for.

I firmly believe that to the extent American officials deserve credit for this fortuitous state of affairs, two may be singled out for particular praise. They are with me today: Assistant Secretary of State Gaston Sigur, and General Louis Menetrey, Commander of U.S. Forces, Korea.

Mr. Chairman, we have received from your staff a list of topics to be addressed this morning, including specific categories of data to be provided. We have done our best to obtain the information you seek, recognizing that data bases may not be as complete if one goes back several years. My colleagues and I stand ready to try to address any subject areas the Members may wish to pursue.

Before we do so, however, I would like to move to one topic in particular on today's agenda and offer the Subcommittee some observations about a very significant development over the past several months affecting the future of our defense posture in Japan and Korea. A debate has blossomed, in the United States, Europe and East Asia, over the future role of the United States in the world community. Our allies' impressive prosperity, when viewed in conjunction with the budgetary and trade imbalances here at home, has made all of us take a hard new look at America's investments as a nation -- including the cost of safeguarding our vital security interests.

In the process, a new priority has found its way into the mainstream of American foreign and defense policy -- the notion that a more equitable sharing of the roles, risks and responsibilities of the defense of the Free World must be established between America and its security partners. This is commonly termed "burdensharing"; I prefer to call it "burden-sharing for democracy."

I say "burdensharing for democracy" because the value of our exertions and the efforts of our security partners cannot be assessed in isolation from their purpose. Governments of free peoples will not sustain any major investment of resources unless the benefit to them is well-understood. Fortunately for Americans, our friends in Japan, Korea and the Philippines recognize that the burden of having foreign forces operating on their territories is outweighed by the commonly-shared goal of preserving the peace in a region which has repeatedly known the terrible destruction of war in this century. The United States is a Pacific power; and these deployments are the forward defenses without which the security of our own territories, and the preservation of our free and independent way of life in America, would be far less certain.

We may be preoccupied with the need for our allies to bear a greater burden for the shared cause of security and democracy; but when we talk about burdens, we must not overlook the other side of the equation -- namely, benefits. Unlike our allies, we have no foreign warships anchored at our ports, no foreign fighter planes operating over our neighborhoods and occasionally crashing on our lands, and no foreign tanks conducting maneuvers in our heartland. At the same time, we are as secure, free, peaceful and democratic a country as any in the world. I, for one, do not doubt that every one of our defense partners would trade its overall security posture for that of the United States, if given the chance. Moreover, American leaders, including the Congress, presently enjoy a measure of influence over matters affecting the national security at home and abroad which is second to none among our friends and allies.

To those of us, in the Administration and Congress, whose job it is to ensure that deterrence succeeds, the current absence of grave crises imperiling our national interests is a great accomplishment -- a state of affairs which can never be taken for granted. To some observers, however, peace and prosperity are apparently viewed as automatic; in their view, there is no need for the United States to maintain our costly defense posture in the Pacific or Europe, or the commitments which underlie it.

I am pleased to say that I believe responsible voices in both the Administration and the Congress have put to rest the unenlightened criticisms of our forward defense posture. To begin with, some who feared that the United States was headed for long-term decline as a world power, in the pattern of the great powers chronicled by Yale historian Paul Kennedy, have been brought back to reality by the recent torrent of statistical evidence that our nation's manufacturing base is surging in growth and export sales, and approaching full capacity. Moreover, those who viewed defense spending as an endless drain on our economy have been surprised to learn that defense spending will decline in FY 1989 in real terms for the fourth year in a row.

Finally, a common caricature put forward by critics has been the idea that our allies are soaking the American taxpayer, obtaining free military protection while lending us the money to pay for it. One of the benefits resulting from the Executive-Legislative burdensharing initiative is that the American people are finding that our allies are making substantial contributions to the common defense -- considerably more than those with which they are usually credited.

In the mainstream of this public debate a consensus has emerged that burdensharing is a legitimate issue, and that our quest for balance must be guided by a clear sense of our goals. As Secretary Carlucci has said, "Our aim should be to work within our alliances to encourage our partners to do more -- rather than simply making an indictment against our allies to justify our doing less."

Thanks in large part to the work of Members here today and others in the Congress who have committed their energies to this effort, I believe the Administration and the Congress are in agreement on a number of fundamental principles. We certainly agree that the net result of our efforts in this area must be the enhancement of our national security. We desire to strengthen free world deterrence against aggression and intimidation, and we want our alliance relationships to prosper. Moreover, we all recognize that, in the long run, our alliances will not survive without a sharing of roles, risks, responsibilities -- and, for that matter, influence -- that is both fair and perceived to be fair by the partners involved.

In assessing the equity of the current distribution of roles and responsibilities, we encounter a profusion of facts, figures, trends and attitudes that resist easy analysis and can give rise to substantial differences in conclusions. When the subject is war and peace, and statistics are interpreted as measures of a nation's value as a friend and ally, we must be very careful indeed that whatever yardstick we choose is seen by our allies to be a fair one. Otherwise, we will erode the public support on both sides which is the democratic lifeblood of our vital defense relationships.

The Department of Defense works continuously to improve and refine the means we have available to measure and promote equitable burdensharing. The result of our efforts to date is reflected in our Report to the Congress on Allied Contributions to the Common Defense, the eighth edition of which was recently submitted to the Congress, in both classified and unclassified versions. This report, which includes Japan, emphasizes that there is no universally accepted formula for calculating each country's "fair share." Some measures allow for relatively precise quantification, such as annual defense outlays, military manpower levels, real estate and housing for troops, and the like. Other measures, less tangible but still important, do not lend themselves to quantitative analysis and must be evaluated more subjectively. These would include the political or social costs of such things as conscription, hosting a foreign military presence on one's soil, or living with the powerful -- perhaps even traumatic -- psychological legacy of past wars.

For example, when we examine Japan's defense effort, it is certainly relevant to note that Japan spends slightly more than one percent of GNP on defense -- a considerably smaller percentage than the U.S., Korea, or the NATO allies. Yet it is no less relevant to recall the historical circumstances which gave rise to Japan's constitutional limitations on the role of its military forces. The United States played a major and direct role in that history, to include promoting those constitutional constraints. I am confident the Members would agree with me that an equitable division of labor between the U.S. and Japan can and must take into account both the American desire for forward-deployed U.S. forces and our mutual desire to keep Japanese forces geared to their self-defense mission.

Can we satisfy the American public's legitimate desire to see a more equitable distribution of roles, risks and responsibilities between the U.S. and Japan while, at the same time, maintaining the Japanese public's support for close U.S.-Japanese defense cooperation and the continued presence of American forces on Japanese territory? I am confident that we can and we will.

My confidence is the product of two things: recent efforts of the Administration, and recent efforts of the Congress. Let me start with the latter. I will admit that when the issue of burdensharing was originally articulated by some members of Congress, I and others who tend to our defense relationships with America's allies on a daily basis feared that talk of removing American forces from Korea and demanding that Japan triple its defense spending were merely public relations gestures pandering to xenophobic and isolationist public sentiments here at home, which could have major negative repercussions on our relationships with our allies and, consequently, on our own long-term security.

Today, after reading the impressive recent floor statement of Senator Stevens on internal Japanese politics, and after speaking with other Members about the goals and directions of the burdensharing effort, I can see that the Congress is serious about obtaining the kind of results which will truly make our alliances better. We in the Administration take some pride in the handiwork which our quiet diplomacy with friends such as Japan and Korea has produced over the past eight years. And yet, I am here today to tell the Subcommittee that I believe the Congress can take a large share of credit for setting in motion a fundamental new process in the political systems of both Japan and Korea which will lead to even more satisfactory results.

Earlier this month, I chaired the U.S. delegation to our security sub-committee meetings with Japanese defense officials in Honolulu. There was no doubt that the Japanese government is fully seized with the importance that our country attaches to the burden-sharing issue. The following week, Deputy Secretary Taft traveled to Japan and Korea, carrying out an extraordinary mandate originating in the Congress with, among others, Senator Sasser. Secretary Taft has asked me to pass to the Subcommittee a statement describing his discussions with both governments, and I have done so.

Next week, Mr. Chairman, Secretary Carlucci will travel to Japan, and the following week he will co-chair the 20th U.S.-ROK Security Consultative Meeting in Seoul. In each country you can be certain that progress will be sought in finding the most mutually-compatible ways for each of our defense partners to contribute more equitably to our shared security efforts.

To summarize my perspective on the subject of burdensharing for democracy, it is clear to me that we have reached a milestone in this process. Not only have the American people, largely through their representatives in Congress, decided that the time has arrived for our security partners to do more in the defense of our shared interests; but the Congress and the Administration, working together, have gotten the message across to our allies. I am speaking not only of the foreign diplomats who serve in the United States and follow our deliberations; nor the leaders whose task it is to maintain smooth relations with the United States; but the newspaper editors, the educators, the legislators -- in short, the very people whose interests in peace and freedom we share. They know that business as usual is a thing of the past. The American voice has been heard, loud and clear.

However, the task ahead of us is not to sit back and consider our job to be done. Obviously, we must shepherd this process to a satisfactory outcome which meets the alliance goals I outlined earlier. Much work lies ahead of us. We must find a sophisticated standard of measurement which recognizes that the true price of freedom represents a mixture of many burdens: military, political, foreign aid, human rights, and even social burdensharing, as in assisting refugees fleeing war and persecution.

Additionally, we must handle this issue with our allies in a way that offers the greatest prospect for positive progress. In my view, this means lowering our voices while the domestic political machinery in Japan, Korea and elsewhere addresses questions of future resource commitments. The members of this Subcommmittee know very well that pride and nationalism are important character traits in elected representatives. If the Congress is genuinely serious about obtaining results from the burdensharing initiative -- and I do not doubt for a moment that it is -- it must surely recognize that foreign legislatures will not react positively to a sustained campaign of disparaging criticism emanating from Washington. Let us continue to work together -- the Administration and the Congress -- toward the promise of defense relationships which embody stronger commitment to our common security goals on all sides, defusing rather than engendering resentment between our respective peoples. To this end, the forthcoming visit to Asia of Senator Stevens will be a most welcome development. Not only can he speak to Japanese leaders about the feelings of the American public; he can deal with host country legislators and search for common ground on this key issue.

The American people deserve to know the whole truth. The fact that Japan and Korea should be doing more is a part of the truth, but only a part. Americans should also realize that as Japan and Korea contribute more to the overall security of Asia, their voices and responsibilities will increase correspondingly in matters affecting U.S. interests in Asia. Diplomats and legislators here and in allied countries will have to adjust to the reality that burdensharing is also power-sharing.

Beyond this, Mr. Chairman, there is still another aspect to the whole truth which the American people need to know, and that is that both Japan and Korea are already making very significant sacrifices and contributions to security interests which the United States shares. The result is that deterrence is working very well in both Japan and the Korean Peninsula, despite the continued growth of Soviet military capabilities in the Pacific.

The United States deploys, at a great expense, almost twenty-five destroyer-type vessels in the Western Pacific and Indian Oceans. Japan today operates more than twice that number, even closer to the Soviet threat than we do, on a daily basis; and the Japanese total will climb to at least 60 in the 1990's. We maintain about 25 P-3 anti-submarine aircraft in the Asian theater; the Japanese have 100 P-2's and P-3's stationed within 500 miles of Vladivostok on a daily basis, and the 300 Japanese high quality fighter aircraft exceed the number we have in Japan, Korea and the Philippines combined.

We provide a strategic nuclear as well as offensive capability to the theater which Japan does not have, but I wish to emphasize that we are in the Western Pacific because it is in the United States' interest to be there; and we are not there alone. The Japanese now have a potent, high technology anti-submarine and air defense barrier covering all Soviet access to the Pacific. Additionally, the Republic of Korea is spending over five and one-half percent of GNP to deter North Korea while building a strong and increasingly democratic society, all of which bodes extremely well for continued stability in one of the few immediate danger zones in the entire Pacific Basin.

Further, unlike the situation in some other overseas locations where there is a U.S. military presence, in Japan and Korea we not only have rent-free bases but have significant help from the host nations as well.

Japan's host nation support (HNS) is today one of the most financially generous the U.S. enjoys anywhere in the world, and it is going to increase further. In 1988 alone, Japan will spend about $2.5 billion on behalf of the 55,000 U.S. Forces in Japan (USFJ) or about $45,000 per U.S. serviceperson. This is not merely a mundane statistic made to sound large in dollar terms owing to yen appreciation. If that figure, which is based upon the approximate current exchange rate of 125 yen to the dollar, were adjusted to reflect the rate of 200 yen to the dollar which existed in the recent past, Japan's support would still amount to upwards of $1.6 billion. I should add that we regard the present exchange rates as reflecting more accurately the economic fundamentals underlying both economies than did the previous exchange rates.

Since 1979, the voluntary Japanese Facilities Improvement

Program has built 4837 family housing units, 8700 bachelor housing rooms, eleven schools, and seven medical facilities for U.S. Forces -- in all, more than two billion dollars in facilities. In 1988, the GOJ is constructing additional U.S. facilities, valued at $650 million, that will allow U.S. personnel to work and live comfortably and efficiently in Japan. The resulting high morale will continue to encourage high reenlistment rates.

In 1978, the Japanese voluntarily assumed $55 million in U.S. labor costs. That figure rose to $125 million in 1986. That year, we asked the GOJ to consider carrying a bigger load owing to the appreciation of the yen. A positive response came three months later and the figure jumped $100 million, to $225 million in 1987, and to $240 million this year.

On October 6, 1987, the Japanese government, with the Administration's encouragement, decided to make a contribution in support of free nations' efforts in the Persian Gulf. A partial ingredient of that GOJ Persian Gulf "package" is further increased support for U.S. facilities and labor costs in Japan. The 1988 figures for the two categories increased by $100 million to $900 million -- $650 million for new facilities and $250 million in local labor costs. The Japanese government is further committed to picking up more than $100 million in additional labor expenditures by 1990, bringing their total to more than fifty percent of all U.S. labor costs. Notwithstanding this record of substantial progress, however, we plan to ask Japanese consideration of ways to assume the remaining yen costs.

Japan obviously does these things in its own interest, Mr. Chairman, but I think that we should recognize their value to our own substantial interests in Pacific stability, and never lose sight of the fact that the U.S. forward defense posture critically needs the 55,000 members of the U.S. Forces which we base in Japan, more than 35,000 of whom are Seventh Fleet Marines and sailors on call at any moment throughout the Western Pacific and Indian Oceans. If we maintained these forces in the United States or, for that matter, anywhere else but Japan, our combat flexibility in the region might be substantially reduced, and our logistics problems and stationing and strategic lift costs would certainly be significantly increased.

The Japanese today are doing precisely what they agreed to do in self-defense, and what the Administration and the Congress endorsed, by significantly complicating undetected Soviet access to the Pacific. The Japanese and their neighbors don't want to see Rising Sun flags on strategic bomber aircraft, carrier battle groups, or other power projection systems, nor do we. Japan can obviously afford to spend more on defense, and has plans to do so. Nonetheless, I strongly recommend we acknowledge that, in terms of military roles and missions, Japan is correctly oriented already, although it needs to obtain an even better capability to meet its present defense goals. At the same time, Japan can afford to increase untied economic grant assistance to other countries substantially, in addition to providing further increases in support for U.S. Forces in Japan.

It is my pleasure to tell the Subcommittee that the President's dialogue with Prime Minister Takeshita on these issues is extremely active and extends down to the working levels in both governments. We believe that U.S.-Japanese defense relations have been a real success story in the 1980's. We further believe we can look to a U.S.-Japan partnership of global significance. Japan's defense budget will soon become the third largest in the world, if it is not already; but through continued reliance upon the U.S. for offensive military protection, Japan will forgo acquiring offensive weapons and, thus, will not be viewed as a military threat to anyone. Japan will, however, assume a political and economic role appropriate to its superpower economic status. The different but quite formidable strengths of the United States and Japan can be melded in harmony with American and Japanese national security interests, and indeed with those of all free nations. This is our challenge.

Mr. Chairman, I will ask General Menetrey to provide comparable detail on our defense posture in the Republic of Korea; and Dr. Sigur will discuss additional factors, including the comparative economic and political strengths of North and South Korea. I would also like to note that in February of 1988, my office provided to the Congress its annual "Report to Congress on the Military Situation on the Korean Peninsula," which consisted of classified and unclassified versions. The classified version contains a considerable amount of data, most of which remains current. In preparation for today's hearing, we have attempted to bring together unclassified data and responses to the Subcommittee's specific questions.

General Menetrey, as the senior U.S. commander on the Korean Peninsula, certainly has valuable perspectives on the net assessment of forces presently arrayed on the peninsula. The Department of Defense's Office of Net Assessment completed an assessment of the military balance on the Korean Peninsula on February 2, 1984. That document is due to be updated and released in classified form in November of this year.

The military balance on the peninsula continues to favor the North. Nevertheless, the Republic of Korea's growing capacity in virtually all fields, including the military, has led some observers to conclude that the ROK's security concerns are certain to diminish in the years ahead. I urge the Members not to draw this conclusion from the changing numerical indicators of military capability alone. Rather, a comprehensive analysis must take into account an additional factor which cannot be quantified and will not appear on any order of battle summary: namely, intentions.

North Korea's key objective continues to be reunification of the peninsula, by force if necessary, under a communist regime. In this regard, let us also recall that the North Korean regime has repeatedly shown itself to be a brutal, militaristic state with a stagnant economy, which is willing to take enormous risks in order to heighten tensions, and which must be treated warily as a result. Most Members are well acquainted with Pyongyang's shocking record, reaching back to the 1950's, which has become particularly heinous in recent years: the raid on the Blue House and attempted assassination of President Park Chung Hee in 1968, the capture of the Pueblo in 1968, the shooting down of an American EC-125 aircraft over the Sea of Japan in 1969, the failed attempt to kill President Park in 1975 in which his wife was killed, the axe murders of two U.S. officers at Panmunjom in 1976, the 1983 Rangoon bombing which killed 18 people, 16 of them officials of the South Korean government, and the destruction of KAL Flight 858 in 1987.

North Korea is resentful of its isolation as a result of the terrorist downing of the KAL passenger jet and its failure to achieve co-hosting of the 1988 Summer Olympics. This, when added to its economic problems, must make us doubly wary of how North Korea might try to prevent the ROK government from successfully hosting the Summer Games. These are a few of the matters which General Menetrey and I could discuss at much greater length in closed session.

Mr. Chairman, the South Korean people are testing the waters and adjusting well to their increasingly democratic system. A president has been democratically elected for the first time in seventeen years, and the recently-elected national assembly shows greater political pluralism. Simultaneously, the Korean people are enjoying a higher standard of living while showing increased pride in Korea's unique cultural inheritance and national objectives. Of course, they are also savoring the prestige of playing host to the Olympic Games. All the while, a heavily armed and often violent regime sits just across their northern border, looking to capitalize on any opportunities to disrupt the ROK's heartening progress as a nation.

In responding to the formidable Northern threat, the Republic of Korea has established a record on costsharing which compares very favorably with that of other U.S. allies. The ROK spends an average of 5.6 percent of its gross national product and more than 34 percent of its national budget on defense. The ROK is absorbing $1.9 billion in defense offset costs for FY 1988. Total ROK defense budget expenditures for U.S. Forces have dramatically increased from $34.3 million in FY 1985 to $287.6 million in FY 1988.

As we look to set U.S.-Korean defense relations on a course for the 1990's which voters and taxpayers in both countries will accept and support, we must be sensitive to the impact our words and actions in Washington may have on tensions on the peninsula. This is a time for close consultation to improve the ROK's contribution to our shared security effort; but this is no time for words which are received by North as well as South Korea as a retreat from the commitment to deterrence to which America has so proudly held over the decades. I am confident that the Members will bear in mind the importance of intangible factors as they review the data we are providing to the Subcommittee.

Mr. Chairman, permit me to cover one final topic in my opening statement. The Subcommittee requested an update on two arms technology transfer issues regarding Japan: the Aegis system and the FSX. Some publicity about the Toshiba diversion case has created a public perception of a lax security regime in Japan. However, this is not indicative of the situation with respect to government-to-government exchanges of classified information and data. There has never been a case of diversion or compromise of technology that we have shared with Japan on a government-to-government basis.

Japanese law controls classified data effectively. All government officials, including members of the Self Defense Force, are legally bound to protect classified information. Information provided to Japan under the 1954 Mutual Defense Assistance Agreement cannot be legally disclosed. These same laws have protected information provided to Japan under the F-15, P-3C, and F-4 programs. Until April 1988, Japan did not have a system in being to protect patents which had been placed under secrecy orders by the Department of Defense. Such a system has now been implemented through negotiations related to the SDI program.

Throughout the Aegis negotiation process, protection of our technology has been a concern, continues to be a concern, and will remain one. In our FSX program with Japan, the transfer of U.S. technical data will be controlled in accordance with a technology transfer plan and a final memorandum of understanding.

That ends my statement, Mr. Chairman. I will be pleased to pursue any topics which you and the Members may wish to raise.

U.S. FORCES, KOREA

STATEMENT OF GENERAL LOUIS C. MENETREY, U.S. ARMY, COMMANDER, UNITED STATES FORCES, KOREA

Chairman STENNIS. General Menetrey is Commander, U.S. Forces in Korea. We will call on you next, please, and you can proceed in your own good way. You are not limited to 10 minutes. Use what time you think you have to have.

General MENETREY. Well, thank you, sir. It is a real pleasure to be here. I have a written statement for the record, but let me say a few words, if I might. To put things in perspective, it is a few minutes after midnight in Korea, Friday morning, but I promise not to fall asleep.

I am here to talk about the security situation in the Republic of Korea and our interests there. I am sure you will agree that our defense relationship with the Republic of Korea is one of our more viable and successful. This is true in our military, economic, political, and security ties with the Republic. The Koreans have provided our nation with a staunch and reliable and necessary ally in northeast Asia.

Our own forces on the peninsula are the most forward-deployed in the Pacific, with the very real mission of deterring renewed war in that region. We face a determined, aggressive, and unpredictable enemy across a narrow strip of land that is the world's only so-called demilitarized zone.

MILITARY MIGHT OF NORTH KOREA

Kim Il-Sung, leader of the People's Republic of Korea since 1945, maintains an active military force of some 840,000 well-trained, well-equipped, disciplined troops with which to execute his 40-year quest for reuniting the peninsula under his brand of communism.

Should the North Koreans choose to exercise their military option to reunite the peninsula, I believe that they will depend heavily on their considerable armored force, consisting of approximately 3,000 medium and light tanks, supported by some 6,000 tubes of artillery and, further, by some 1,800 multiple rocket launcher systems. On the ground, we are at a considerable disadvantage, with force ratios there even less favorable than in Europe.

This, coupled with the short 26 miles between the DMZ and Seoul and the short warning time that is implicit in the North Koreans' forward and offensively-oriented deployment, is cause for some concern. My primary concern, however—at least between now and the Olympics—is the North's 80,000-man special warfare force. This force could, through land, sea or air infiltration, be inserted in strength to conduct terrorist activity. Kim Il-Sung, of course, has amply demonstrated his determination to use terrorism.

North Korea's numerical superiority is not limited to ground combat forces, but extends to aerial and naval ones as well. Most of their aircraft are older than ours, but they still present a credible threat. Moreover, the North Koreans are constantly upgrading their fleet. In 1985 they added the MiG–23 FLOGGER, and they have recently acquired the SU–25 FROGFOOT ground attack aircraft from the Soviet Union.

AIR DEFENSE SYSTEMS

These aircraft, coupled with a rather impressive array of air defense systems, including the recently-acquired SA–3 and SA–5, have the capability to affect seriously our ground and air operations well south of the DMZ. U.S. air and naval forces, however, are readily available from PACOM assets in the Far East and, therefore, adverse force ratios in these categories are not so alarming.

Further, in the air and naval areas particularly, we enjoy a distinct qualitative advantage, so I do not want to paint too bleak a picture.

U.S. ground forces in the Republic consist primarily of the Second Infantry Division. This Division is specifically tailored for operations in Korea. It contains about 2,200 Korean soldiers under the "Korean Augmentation to the United States Army," or KATUSA, program, a form of burden-sharing, if you will. It is the only Army ground combat unit west of Hawaii and, as such, is, I believe, critical to deterrence and stability in the region.

AIR POWER IN SOUTH KOREA

Air power, perhaps our most important advantage, is an essential ingredient for war-winning and deterrence. Our air forces in Korea complement the Korean air force very well, by providing over 100 fighter aircraft to our combined inventory. Over the next 2 years we will upgrade that fleet by putting F–16's in to replace the older F–4E's, which are scheduled for sale to the Republic of Korea. Moreover, as I mentioned, additional air assets are available from our bases in Japan and the Philippines.

The costs associated with maintaining forces in the Republic can be measured in both monetary and human terms. I provided for you in my written statement the monetary indicators of our commitment to peace in that region. We can take pride in the fact that we and our Korean allies have been eminently successful in our defense of freedom in that area for some 35 years.

QUALITY-OF-LIFE CONSIDERATIONS

I believe, however, that I have an obligation to the fine American men, women and families serving our interests in Korea to provide for them the highest possible quality of life, and I would like to point out that some 8,000 of our soldiers still live in antiquated, Korean War-era. Quonset huts. We have requested several construction projects designed to put these soldiers in adequate housing, and I see this construction as a necessary part of the basic soldier support which in both the short and the long term leads to improved readiness.

In conclusion, our security relationship with the Republic of Korea is important. Our Korean allies contribute a greater percentage of their national wealth and manpower to their own defense and to the support of U.S. forces than most other free world nations. With the effort and the combined spirit that we have shared all these years, I feel that the peace we now enjoy in the northern Pacific will continue.

Thank you, sir. That concludes my statement.

[The statement follows:]

PREPARED STATEMENT OF GENERAL LOUIS MENETREY
Commander, United States Forces, Korea

It gives me great pleasure to add my views to those expressed in testimony and Statements for the Record by my distinguished colleagues regarding the military posture of the United States on the Korean Peninsula.

MISSION OF U.S. FORCES IN KOREA

Our mission in the Republic of Korea (ROK), as it has been for many years, is to assist the Republic of Korea in deterring North Korean adventurism while preparing to defeat any attempt by the communist North to subjugate the South. Through our collective security arrangements, we have been successful in this mission. The Republic has flourished as a nation and is evolving into a mature political, economic and military power in the Northeast Asian region because of our combined efforts. Additionally, our presence adds greatly to stability in this vital region.

In view of the phenomenal growth of the Republic, those of us with responsibility for the security of the United States must realize that our policies regarding the Republic and the region as a whole must also change. A broader perspective must be assumed, with an eye toward expansion of our military mission encompassing a more regional role. The growing force projection capability of the Soviet Union is our greatest concern. The Korean Peninsula combines with Japan to sit astride the Soviet Union's lines of communication and access to the Pacific, thereby providing us the means to interdict their passage. We must work closely with our Korean ally to ensure a smooth transition of responsibility to meet U.S. security needs while ensuring continued peace on the Korean Peninsula.

THREAT AND FORCE BALANCE

Through the centuries Koreans have been unfortunate to occupy geopolitically strategic ground, as is the case today. Seoul is equidistant from Tokyo, Beijing and Vladivostok. The interests of the world's four major powers intersect on the Korean Peninsula. The military balance, based on known personnel strengths, equipment, and force deployments, continues to heavily favor the Democratic People's Republic of Korea (DPRK). I project that this situation will not change appreciably for some years, despite the best efforts of our Korean allies to modernize their armed forces as we ourselves improve our force structure and capabilities. It is dependent to a large degree on Soviet assistance to North Korea.

From the ground perspective, North Korea maintains numerical advantages in most measures of combat power. The North enjoys a nearly 250,000-man advantage in personnel strength, almost a 3-to-1 advantage in tanks, a 1.5-to-1 superiority in artillery, and a massive advantage in multiple rocket launchers. The Republic has but recently initiated fielding its newly developed launcher to counter approximately 2,000 deployable launchers by the North. We too have introduced similar systems over the past months and will continue to do so as part of our force modernization efforts.

Of particular concern to those of us charged with the security of the Republic of Korea is the estimated 80,000-strong North Korean Special Operations Force and the closely affiliated organizations which engage in terrorism, subversion and intelligence collection. These forces collectively present a constant and significant threat to the Republic both on and off the peninsula. I cite as examples North Korea's involvement in terrorist activities such as the Rangoon bombing and the recent wanton destruction of KAL Flight 858. These same forces have accompanied many of North Korea's frequent arms exports to provide assistance and training. In wartime, these units could be inserted by land, sea, and air to disrupt our operations in forward and rear areas.

When one views this imposing array of manpower and firepower, consider also the fact that a major portion of the North Korean ground force is deployed well forward, supported by many major underground facilities located near the DMZ. These numerous facilities help to mask the North's aggressive intentions, reduce our warning indicators and time, and provide excellent support for an attack on the Republic. Seoul, the capital and heart of the Republic, is only 26 miles from the DMZ.

The numerical air forces advantage enjoyed by the North remains as it has in past years. Qualitative improvements of the Republic's air force, however, have moderated the North's superiority. These include infusion of newer and more capable U.S. designed and built F-16 and co-produced F-5E aircraft. However, the DPRK's 1985 acquisition of MiG-23 FLOGGER aircraft from the Soviet Union and subsequent acquisition of SA-3's, SA-5's, and ZSU-23-4's significantly enhance the North's air defense intercept capabilities. The SA-5, depending on where it is deployed, presents a serious threat to air operations over much of the South. I fully expect such force modernization initiatives to continue as allowed by the North Korean economic situation and the Soviet Union's patronage as it is evidenced by recent deliveries of offensive-oriented SU-25 aircraft, modern radars, and significant numbers of newer air defense systems.

Equally disturbing is North Korea's possession of the Hughes 500 helicopter. This multipurpose airframe is a special problem, as its physical appearance closely resembles helicopters flown by the Republic. The obvious implication would be a threat of disguised infiltration or even an attack from seemingly friendly aircraft.

U.S. assets in the Republic include four tactical fighter squadrons equipped with F-4E and F-16 aircraft. These airframes provide us with both day and night intercept and air-to-ground capability. Our primary ground attack and ground support asset is a squadron of A-10 aircraft. This system is a vital part of our ability to meet and defeat the North's highly mechanized formations. The potential of the A-10 is magnified by our deployment of additional Army attack helicopter units. Continued integration of more capable aircraft such as the F-16, the FX, and follow-on airframes is planned.

The North Korean navy of over 600 vessels holds a similar edge over the ROK navy, particularly in submarines and fast attack patrol boats. The Republic is attempting to counter this superiority through an aggressive shipbuilding program. Indigenously produced frigates and corvettes will significantly strengthen the ROK's naval warfare capabilities, but our support remains essential for the foreseeable future.

Despite the massive military machine facing us across the DMZ, other factors such as political will, industrial capability and capacity, and economic power must be considered when assessing the military balance on the Korean Peninsula.

National resolve to defend one's territory, political system, and way of life has shown no signs of weakening on either side; nor has either side indicated that dependence upon their military forces is decreasing. My assessment of the North indicates that significant forward-deployed logistics stockpiles exist and, when coupled with Kim Il Sung's stated desires to reunite the peninsula during his lifetime, it is clear that those stocks are intended for offensive military operations.

To assess the strength of the Republic of Korea's national will, one need only review the sweeping political changes which have occurred. Within the past several months, Korea has successfully negotiated the transition to a democratically elected presidency and national assembly.

Another equally telling event, the Seoul Olympics, fully attests to the political stability and maturity of the Republic. I applaud and fully support the Koreans in this monumental effort. I am confident that the Koreans will grow and prosper under their newly-found rights and freedoms, and will energetically shoulder the responsibilities incumbent upon a mature nation and ally. We must stand vigilant during this critical time of nation-building to ensure successful completion of the XXIVth Olympiad. As you know, the U.S. has been active in supporting ROK efforts during similar events, such as the 1986 Asian Games.

The industrial capacity of the Republic of Korea is commensurate with its national status. Its capabilities are a formidable weapon in the competition with its oppressive northern neighbor. While the North has used much of its industrial strength for production of military hardware for some time and will continue to do so, the stagnant North Korean economy may limit its growth potential for the foreseeable future. The ROK, on the other hand, has diversified its industrial base, which has sparked dynamic growth in its economy.

Military spending by the two sides has remained a fairly steady percentage of GNP over the past several years. For the ROK, this figure has been between 5 and 6 percent, while, we believe, 20 to 25 percent has been committed by the North. The lack of official North Korean government economic figures hampers our analysis. The capabilities of the ROK armed forces has considerably improved with increased real defense spending (more than any other U.S. ally) and through translation into better equipment and training.

North Korea's GNP has risen from $10.5 billion in 1978 to $18.5 billion in 1986. This increase is overshadowed, however, by its outstanding foreign debt of $4.1 billion, $2.2 billion of which is owed to Western nations. In August of 1987, Pyongyang was held in default of a $770 million loan by a Western banking group. The Swedish government also declared North Korea in default over a $135 million loan during 1988.

North Korea's imports, totalling $1.72 billion in 1985, consisted primarily of petroleum products, machinery, and grain. Her exports, on the other hand, were mainly minerals and metal products, particularly arms, equalling about $1.38 billion. This trade deficit has served only to exacerbate the North's already poor credit rating.

The military threat to the Republic of Korea remains real and significant. North Korean force alignment and equipment advantages present a formidable offensive capability, should the North Korean political apparatus decide to employ it. Both the Soviet Union and China remain allied with North Korea. However, it is not clear that either country views a war in Korea to be in its national interests. The role of the United States and the presence of its forces in the Republic of Korea and the region as a whole are a critical element in deterring North Korea.

PERSONNEL/FORCE GROWTH SINCE 1977

In January 1977, President Carter decided to withdraw most of the U.S. ground forces from the Republic of Korea. The total troop strength of all services assigned to the ROK was 40,196 during that year. President Carter, however, after visiting the Republic of Korea during July 1979, and after reviewing intelligence estimates on North Korean forces, elected to postpone any additional troop reductions. Since then, the North's buildup and forward positioning of forces has continued.

Our force-structure reductions and realignments continued through the early 1980's even though troop reductions were minimal. These structural alterations were accomplished through transfer of equipment and missions to the ROK armed forces, thereby allowing us to apply our personnel assets against other areas.

Overall, we have experienced a 16 percent increase in personnel strength resulting from planned changes in force structure. These adaptations to our force structure have been and will continue to be necessary to counter the constant modernization and restructuring of the North Korean military apparatus.

The bulk of the personnel increases have occurred since 1964, when we embarked on a programmed force structure change designed to improve our capabilities for transition to war, to improve readiness, and to improve modernization efforts. We have added aviation units in consonance with Army-wide force structure improvements, signal units essential for enhanced Command and Control (C2), and chemical units for decontamination and battlefield concealment applications.

The 2d Infantry Division is currently transitioning through its Army of Excellence (AOE) conversion. This structural format will significantly enhance the Division's combat capabilities. Infusion of new, more effective, and technologically advanced equipment, combined with a streamlined command and control structure and organization, will provide United States Forces, Korea (USFK) with a highly mobile combat division. Although we achieve a more potent combat force with the modernization of the 2d Infantry Division, we will not realize an increase in manpower requirements. Where we save manpower is with more efficient, less manpower-intensive logistics and communications equipment. This allows us to place more combat power in the field while maintaining the same level of logistics support. It is important to note that the 2d Infantry Division is specifically tailored to the Korean environment and designed to be complementary to ROK forces. This force contributes directly to the combined combat power to a much higher degree than its numbers indicate. Primarily, however, the presence of U.S. ground forces in effective strength contributes to deterrence of war in a way that naval and air forces cannot match.

The conversion of units such as the 2d Division and the formation and fielding of new units in the Republic of Korea are not without cost. We have several military construction projects scheduled for FY89 which are critical to our force structure programs. One will provide personnel barracks and an aviation maintenance facility for an attack helicopter battalion. The ROK government has provided $22 million worth of facilities for the unit. Our portion of the total cost is $9.2 million. Until these projects are completed, an additional 250 soldiers above the 8,000 soldiers now inadequately housed will live in overcrowded 1950's-vintage Quonset huts with outside latrine facilities. The original goal for replacement of these inadequate living facilities was FY90. This target was slipped to FY92, but this too gave way to the severe reduction in programmed dollars in the FY90-94 POM.

We have an additional six barracks construction projects requested for FY89 that richly deserve your attention and support. Completion of these facilities will greatly enhance the quality of life of our soldiers and support the realignment of the 2d Infantry Division. Along with these essential projects, we have slated the construction of an M-1 Abrams tank maintenance facility and three tactical equipment maintenance facilities. Our force modernization efforts would be severely hindered should these programs go without adequate resources for their completion in the near term.

U.S. MILITARY PRESENCE IN THE ROK

To support our mission in the Republic of Korea, we have just over 46,000 military and civilian personnel assigned. Of this total, 31,950 are Army forces assigned to the 2d Infantry Division and to combat support and combat service support units stationed throughout the country.

The 2d Infantry Division is the only Army combat unit west of Hawaii and is an integral part of the combined defense force. The remaining U.S. Army strength in the Republic of Korea provides essential peace and wartime functions such as aviation, signal and intelligence assets for command, control, communication, and intelligence (C3I) services and the infrastructure for the logistics functions required to maintain peace on the Korean Peninsula. Many of these units are manned below their wartime authorizations but provide the essential transition-to-war capability necessary for our "right now" limited warning situation.

The nearly 12,000 assigned Air Force personnel serve much the same purpose. Airpower is an indispensable asset for successful defense of the Republic of Korea. U.S. air forces are essential to deter the DPRK and, should open hostilities again flair, to prosecute successful defensive and counteroffensive operations.

To complete the remainder of our military forces, we have almost 500 Navy and Marine Corps personnel assigned to critical command, staff and liaison positions throughout USFK.

Our 25,552-member civilian work force provides the continuity essential to stable and efficient day-to-day operations of U.S. forces throughout Korea. Additionally, programs such as the Korean Augmentation to the United States Army (KATUSA), with approximately 5,200 ROK Army augmentees, and the Korean Service Corps, with another 3,162 people, provide low cost services that directly and indirectly support our forces and add to our combat potential.

The U.S. civilian labor force consists of about 3,100 appropriated fund and non-appropriated fund personnel. The majority of our civilian labor pool, approximately 22,500 personnel, are Korean nationals. Over 16,000 of these employees hold appropriated fund positions, with the remaining 6,000-plus employed in non-appropriated fund billets. These employees fill a critical labor need that in years past has been relatively inexpensive. However, with wage increases granted this past summer and projected raises in future years, this massive labor pool will be reduced to meet our budget decreases.

We have an additional 20,000 dependents living in the Republic. This population is evenly divided between command sponsored (10,113) and non-command sponsored (10,031) family members. As would be expected, Army family members comprise over 50 percent of our dependents, with 4,724 command sponsored and 5,922 non-command sponsored. Another 5,100 dependents are U.S. Air Force family members, with over 3,500 being non-command sponsored. This figure is seemingly out of line with the number of command sponsored family members, but it includes Designated Location Move (DLM) families. Our Navy and Marine Corps personnel have nearly 600 dependents in country, but only 53 are in a non-command sponsored situation.

There are no truly accurate figures to depict the ebb and flow of dependents over the past ten years. The numbers that we do have reflect a fairly steady percentage of family members when compared to the number of command sponsored billets and troop strength. The Joint Korea Accompanied Tour (JKAT) Plan, proposed by USFK, comprised an Air Force and an Army program that was presented as part of the individual service POM/PARR submissions for FY90-94. This plan, had it been funded at $171.6 million for the Army and $92.8 million for the Air Force, would have increased Army command sponsored positions by 1700 spaces, and an additional 480 Air Force command sponsored billets would have been realized. Costs for 2180 build-to-lease or military construction family housing units, schools, medical facilities, and other required services would have been funded under this program.

The Republic of Korea is considered a one-year hardship tour, and has been since the end of the Korean Conflict. This initiative would enable us to convert many of our one-year unaccompanied tours to command sponsored accompanied tours. The two-fold benefits of such a program are enhanced readiness by reducing personnel turbulence, and reduced separation hardships for our personnel. Facilities to fully support our accompanied and unaccompanied personnel have been added slowly and are a factor driving our current tour length policies. The length of accompanied and unaccompanied tours is based upon the command's ability to support the soldier and his family members through the facilities available at that station. Currently, NATO and Japan are far more capable of supporting family members, thus rating the longer accompanied tour length of 3 years as opposed to Korea's 2-year tour.

U.S. OPERATING AND STATIONING COSTS

The major costs of stationing U.S. forces on the peninsula include military pay and benefits for the approximately 41,000 military personnel, operations and maintenance (to include civilian pay), major construction and family housing, and procurement to support the purchase of major end items (service centrally funded). Our primary resources are presented below for actual funding received for FY77 through FY87. FY88 figures reflect actual funding as of 1 May 1988 and the current FY89 program. These figures do not include the costs of service centrally funded equipment.

($000) CURRENT	FY77	FY78	FY79	FY80
Military Pay & Benefits	360.2	387.3	395.1	404.4
Operations & Maintenance	322.4	351.3	367.4	426.1
Mil Const & Fam Housing	18.0	5.0	14.1	14.7
Other (OPA/BCE, OMAR, RPA)	3.0	3.0	3.0	3.0
TOTAL	703.6	746.6	779.6	848.2

($000) CONSTANT	FY77	FY78	FY79	FY80
Military Pay & Benefits	724.6	729.4	700.7	667.5
Operations & Maintenance	580.6	587.4	563.8	563.1
Mil Const & Fam Housing	31.9	8.5	21.5	20.7
Other (OPA/BCE, OMAR, RPA)	3.0	3.0	3.0	3.0
TOTAL	1340.1	1328.3	1289.0	1254.3

($000) CURRENT	FY81	FY82	FY83	FY84
Military Pay & Benefits	480.7	553.8	586.1	619.8
Operations & Maintenance	513.4	597.2	591.2	640.5

Mil Const & Fam Housing	81.7	83.6	80.8	79.9
Other (OPA/BCE, OMAR, RPA)	3.0	3.0	3.0	3.0
TOTAL	1078.8	1237.6	1261.1	1343.2

($000) CONSTANT	FY81	FY82	FY83	FY84
Military Pay & Benefits	679.3	695.8	707.9	726.7
Operations & Maintenance	618.4	683.1	665.9	712.6
Mil Const & Fam Housing	105.1	102.2	95.6	91.4
Other (OPA/BCE, OMAR, RPA)	3.0	3.0	3.0	3.0
TOTAL	1405.8	1484.1	1472.4	1533.7

($000) CURRENT	FY85	FY86	FY87	FY88
Military Pay & Benefits	617.8	720.5	694.1	732.7
Operations & Maintenance	706.4	700.3	786.5	643.4
Mil Const & Fam Housing	131.6	143.7	151.8	98.4
Other (OPA/BCE, OMAR, RPA)	3.0	3.0	3.0	3.0
TOTAL	1458.8	1567.5	1635.4	1477.5

($000) CONSTANT	FY85	FY86	FY87	FY88
Military Pay & Benefits	697.8	783.4	726.1	732.7
Operations & Maintenance	760.7	742.0	811.2	643.4
Mil Const & Fam Housing	145.3	153.4	156.6	98.4
Other (OPA/BCE, OMAR, RPA)	3.0	3.0	3.0	3.0
TOTAL	1606.8	1681.8	1696.9	1477.5

($000) CURRENT/CONSTANT	FY89	
	CURRENT	CONSTANT
Military Pay & Benefits	779.8	744.1
Operations & Maintenance	693.0	672.2
Mil Const & Fam Housing	55.4	53.9
Other (OPA/BCE, OMAR, RPA)	3.0	3.0
TOTAL	1531.2	1473.2

Budget levels for FY86 and FY87 permitted USFK to train, maintain, and support assigned forces at acceptable levels. FY88 resource programming reflects a downward trend. We have implemented a number of actions to ensure that we remain within our budget constraints. Continued operations under these reduced funding conditions will, in a short time, adversely impact on this Command's readiness posture and its ability to meet its missions. USFK and ROK sustainability is seriously weakened by shortages of Class V (Ammunition) and Class VII (Major End Items) in our War Reserve Stocks (WRS) and War Reserve Stocks for Allies (WRSA). This situation will be somewhat moderated by signature of the 2-for-1 Modern Munitions Agreement, wherein the ROK government provides two pieces of ammunition for every one we provide, but this will not solve the problem. One of our primary means of coping with the reduction of resources is to draw upon available stocks. We can not operate in this manner for an extended period of time without soon reaching our critical supply levels and jeopardizing the security of the command and the Republic of Korea, should sustained combat operations become necessary.

Civilian pay, as a percentage of the total Operations and Maintenance budget, is increasing, as Korean National employees are no longer inexpensive labor. Pay and benefit increases of 7.2 percent in FY87 and 7.6 percent during the first part of FY88, when factored into our declining O&M base, are having a major detrimental impact on other programs. An even more startling reality is the prospect of a 10 to 15 percent wage increase currently under negotiation, which may take effect as early as 1 June 1988. We project that the impact of these pay and benefit increases will reach the $30 million mark in FY89. USFK is not funded for civilian pay raises now as had been the case in previous years, so we have out of necessity released some 400 employees from our facilities engineering work force. This may seem inconsequential now, but our preventive maintenance services will suffer, possibly costing us more in the longer term.

Adding to our difficulties, as is the case throughout our other forward-deployed commands, is the depreciation of the U.S. dollar against the host nation's currency. During FY86, we enjoyed an exchange rate of 887 won to the dollar. FY87 saw this rate decline to 807 to 1 and, at present, the rate of exchange is below 730 won to the dollar. This trend is expected to continue for the remainder of this calendar year and possibly longer, depending on our economic situation and that of the Republic. Since nearly one-half of all O&M costs for USFK components is sensitive to currency fluctuations, our buying power is seriously affected. Inclusion of the won in the Foreign Currency Fluctuation Account (FCFA) has insulated USFK to some degree from the fluctuations of the marketplace. Continued appreciation of the won has contributed to double-digit inflation in the Korean economy, making supplies and services much more expensive. This has had its greatest impact on our Non-Appropriated Fund activities (NAF), since they are not sheltered by the FCFA.

Current fiscal guidance shows that our FY89 levels will approximate FY88 allocations. We in USFK will accomplish our key readiness and training goals while living within the budget limits. To that end, we have funded our operations, training, and training-related missions at the expense of our community and base operations requirements. Some of the items most affected will be the enhancement of working and living conditions, safety improvements around our ammunition storage bunkers, and overall quality-of-life initiatives on behalf of our soldiers and their families.

COSTSHARING

The concept of costsharing has always been defined by both countries' missions and roles within the Combined Forces Command, and not just by financial contributions, as I have previously described.

In terms of the country's macroeconomic ability to contribute, however, Republic of Korea contributions to the common defense compare favorably with the best efforts of any of our NATO allies or particularly Japan. Defense spending has consistently made up approximately one-third of the annual budget and 5-6 percent of GNP. The Republic of Korea is dedicated to continued spending at these levels until the military imbalance vis-a-vis the North is corrected. The Republic knows it compares favorably with other U.S. allies, and can be expected to ask to be included in DoD's Annual Report to Congress on Allied Contributions to the Common Defense.

The Republic also provides significant support for U.S. forces in Korea which is not accounted for in a macroeconomic analysis of a country's ability to contribute. In 1987 alone, Korean support amounted to over $1.9 billion indirect and indirect support, for a total of $44,000 per U.S. serviceman in Korea. Direct support amounted to almost $300 million in budget outlays. Indirect support, provided at no cost to the Korean government, saved U.S. forces in Korea $1.6 billion through cost avoidance programs. Examples of direct and indirect support offsets to U.S. forces are expenses for real estate, personnel costs, operations and maintenance costs for combined facilities, construction for combined activities, logistics support, tax exemptions, and other benefits to USFK personnel.

As the warfighting commander, my single most important priority for additional costsharing from the ROK is increased financial support for the Combined Defense Improvement Projects, or CDIP. These are construction programs in support of U.S. forces and/or combined forces activities on the peninsula, and directly contribute to increased war readiness for the combined defense. Since 1974, the ROK has provided $768 million in support of the CDIP program. The level of support in 1988 was $32.5 million. ROK contributions in recent years, however, have not met expectations and needs. During Deputy Secretary Taft's recent visit to Korea, ROK government officials indicated their willingness to share more. We expect specific support levels to be discussed and resolved by Secretary Carlucci and Minister Oh at the 20th Security Consultative Meeting to be held 7-9 June in Seoul.

I would be remiss if I did not take this opportunity to stress to the Subcommittee that CDIP is not cost-free to the U.S. For every dollar Korea spends, the U.S. must spend approximately 16 cents, the majority of which goes for offshore procurement to bring ROK construction up to U.S. standards. Failure to obtain appropriations to meet our part of the funding greatly endangers badly needed projects and undermines this cooperative and mutually beneficial costsharing program.

In conclusion, the Republic of Korea deserves a better reputation and recognition for its past security sharing efforts. It also deserves credit for the positive attitude it has taken towards addressing our desires for increased efforts. Lastly, we should continue to emphasize the missions and roles of our respective forces as key elements in any costsharing analysis.

DEPARTMENT OF STATE

(ASSISTANT SECRETARY OF STATE FOR EAST ASIA)

STATEMENT OF DR. GASTON SIGUR, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS

DEFENSE POSTURE IN EAST ASIA AND THE PACIFIC

Chairman STENNIS. Dr. Sigur, you are Assistant Secretary of State for East Asia. You may proceed, if you will, please, sir. We are glad to have you here.

Dr. SIGUR. Thank you. Mr. Chairman and members of the committee, I welcome the opportunity to report to you today on our defense posture in East Asia and the Pacific.

Politically, progress toward increasing representative government continues apace in the Republic of Korea and the Philippines. In short, events in the region have been going our way. It seems to me that an important goal for this and the next administration should be to hold steady on our course.

A major reason for this positive picture is that our military presence in East Asia and the Pacific contributes directly to peace. By contributing in this way to the general welfare of our friends, our own interests are served. A stable peace in East Asia and the Pacific has allowed us undisrupted trade with the nations of East Asia and the Pacific, a region which now accounts for more than one-third of our total global trade.

Although peace prevails generally in the region, specific problems do persist. In Southeast Asia the Soviet-supported Vietnamese occupation of Cambodia remains a potential threat to tranquility. As for Northeast Asia, North Korea has yet to eschew the threat of armed force and terrorism.

As the world prepares to gather this September in Seoul for the Olympics, our forces stand shoulder to shoulder with those of the Republic of Korea to ensure that the world's athletes will be able to meet in the spirit of peaceful international competition.

U.S. resolve to maintain military forces in Asia and thus offset any influence that might otherwise be garnered by the Soviet military presence is most reassuring to our East Asian and Pacific allies and friends. Any diminishing of our security role could invite a deterioration of that confidence.

U.S./JAPAN SECURITY CONSIDERATIONS

Today, at your request, I will focus my remarks on the role of our forces in Japan and Korea and the contribution of these two nations to the preservation of peace in Northeast Asia. First, on the U.S.-Japan security cooperation side, the Treaty of Mutual Security and Cooperation, which was signed in 1960 with the Japanese, continues to be the firm underpinning for the overall relationship between the United States and Japan.

Since 1978, a consensus has emerged that Japan has primary responsibility to defend its homeland, territorial seas and skies, and its sea lanes out to 1,000 nautical miles. Our forces play a supporting role, provide the nuclear umbrella, have the capability to bring counter-offensive power to bear if required, and protect U.S. and Japanese interests in areas where Japan's forces, for constitutional and policy reasons, cannot operate.

It is most important to keep in mind that our deployments in Japan serve broad U.S. strategic interests and are there not simply for the defense of Japan. We should also recognize that the cost of our bases in Japan is relatively low compared to the cost of replicating these facilities elsewhere, if we could even find suitable alternative locations.

We have asked Japan to quicken the pace of its defense forces modernization to ensure that they are prepared to fulfill their roles and missions. Examples of our success in this regard are the sale of the Aegis weapon system to Japan and the co-production of the FSX.

Defense spending and military activities remain potent political issues in Japan, where pacifist and anti-military sentiments run deep. Also, while friendly nations in the region accept Japan's defense-oriented military buildup, they remain sensitive about any indication that Japan might develop offensive capabilities or seek a regional security role.

JAPANESE DEFENSE BUILDUP

Within the above limitations, Japan has increased its defense spending by 5.2 percent in 1987. Its 1988 defense budget increased another 5.2 percent above the 1987 funding. At current exchange rates, the 1988 defense budget is about $30 billion. This ranks Japan fifth worldwide in defense spending, and second among non-nuclear powers. Mr. Armitage has already given you the specifics of Japan's host nation support. I wish to emphasize that it is the most generous of all such arrangements we have.

Japan recognizes that it must contribute more to the western allies' common security interests, but because of the restraints mentioned earlier the government of Japan is doing so by increasing the quality and quantity of its development assistance.

Japan is now the world's second-largest donor of economic assistance. It leads the United States in the percentage of GNP devoted to aid. It focuses on the Asia-Pacific region where it is the largest aid donor to Thailand, the Philippines, and other key Asian states. Japanese assistance to other areas is also significant, as indicated by its 1986 assistance to Pakistan of $152 million and $71 million to Turkey.

Let me turn briefly to the U.S.-Korea relationship. Since the end of World War II, North and South Korea have engaged in intense, multifaceted competition. Despite the North's initial advantages, the clear winner of this four-decade competition is our ally, the Republic of Korea.

Today, the economic and political balance heavily favors the South. Its GNP is now five times that of the North. The Republic's growth rate of approximately 12.2 percent in 1987 is fivefold that of its totalitarian adversary.

We see in the North a rigid, centrally-controlled regime whose political stagnation mirrors its economic failure. There are no institutionalized mechanisms to ensure smooth transition of power once its aging leader, Kim Il-Sung, dies.

This stagnating, suffocating, perhaps brittle political environment stands in stark contrast to the situation in the Republic of Korea. The South has also won the international political competition hands-down. Today, 122 governments recognize it, whereas only 100 recognize the North. Over the years, the number recognizing the North has continued to dwindle, while those recognizing the South continue to grow.

On North-South relations in Korea, Mr. Chairman, as you know, the U.S. and the Republic of Korea have together actively supported peace and security on the peninsula and in Asia through dynamic security ties.

Let us make clear that the U.S. presence has no role in dividing Korea in defiance of the will of Koreans. We support whatever the Korean people themselves seek. We know, of course, that what they want, what they long for, is peaceful reunification, freedom and dignity. What our presence has sought to accomplish is to preserve for Koreans precisely the right to decide for themselves, rather than to accept any fate forced upon them.

We have spoken often of the need for active steps to reduce tensions and to promote understanding. We have even advanced modest proposals to stimulate the process. Unfortunately, Mr. Chairman, North Korea remains one of the world's most closed and bellicose regimes.

MILITARY ADVANTAGE OF NORTH KOREA

Given all of the South's progress, the regime in the north retains a substantial military advantage. This also may soon begin to erode unless the North's allies, particularly the PRC and the USSR, decide to provide even greater military assistance than is now the case. Until the time comes when the North realizes that international violence in the form of terrorism or armed invasion is not the route to international legitimacy and national reunification, the Republic of Korea must, with our assistance, keep up its guard.

The Republic of Korea, among all our allies, devotes one of the greatest percentages of its national treasury to defense. As General Menetrey pointed out, the Republic of Korea has for many years made a substantial contribution to the support of our forces on the peninsula.

The figure for 1987 is approximately $1.9 billion. We believe that it can be more.

Deputy Secretary of Defense Taft just concluded a successful visit to Korea, during which these matters were discussed. We believe that the Koreans understand our needs and we anticipate further progress very soon.

In concluding, Mr. Chairman, I hope that you share my view that our Japanese and Korean allies are making concrete strides toward a balanced sharing with us of our mutual security needs. Likewise, I can assure you that these nations are in full agreement with us that peace in East Asia and the Pacific is best assured through our continuing, close cooperation on security matters.

Thank you.

[The statement follows:]

STATEMENT OF

GASTON J. SIGUR, JR.

ASSISTANT SECRETARY OF STATE

BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS

Mr. Chairman, honorable members of the Committee, I welcome the opportunity to report to you today on our defense posture in East Asia and the Pacific. As you know, this region remains generally at peace and continues to make impressive economic gains. Politically, progress toward increasingly representative government continues apace in the Republic of Korea and the Philippines. In short, events in the region have been going our way; and it seems clear that an important goal for this, and the next, Administration should be to hold steady on course.

A major reason for this positive picture is that our military presence in East Asia and the Pacific contributes directly to peace. The sense of security and reliability provided by our forces, together with bilateral security arrangements with our allies, provides the essential framework whereby the nations of East Asia and the Pacific can continue on the path of political and economic progress.

By contributing in this way to the general welfare of our friends, our own interests are served. A stable peace in East Asia and the Pacific has allowed us undisrupted trade with the nations of East Asia and the Pacific, a region which now accounts for more than one-third of our total global trade. Indeed, it seems clear that our growing economic interdependence with East Asian and Pacific nations makes it all the more imperative that we maintain our security arrangements so as to deter serious disruption of our own national well-being.

Although peace prevails generally in the region, specific problems do persist. In Southeast Asia, the Soviet-supported Vietnamese occupation of Cambodia remains a potential threat to tranquility. As for Northeast Asia, North Korea has yet to eschew armed force and terrorism. Much of its large, heavily armed forces remain positioned dangerously close to the DMZ which separates the North from the Republic of Korea. As the world prepares to gather this September in Seoul for the Olympics, our forces stand shoulder to shoulder with those of the Republic of Korea to ensure that the world's athletes will be able to meet in the spirit of peaceful international competition.

Then, too, there is the Soviet military presence in the region. Since our withdrawal from Indochina over a decade ago, the Soviets have invested heavily to enlarge and better equip their military forces in the region. This stark reality is most evident at Cam Ranh Bay in Vietnam. Here there are at least 7,000 Soviet personnel manning and enlarging the largest Soviet base outside of the USSR.

Our military presence in East Asia and the Pacific, which, of course, predates that of the Soviet Union by decades, remains sufficient to counter any threat the Soviets might pose. U.S. resolve to maintain military forces in Asia and thus offset any influence that might otherwise be garnered by the Soviet military presence is most reassuring to our East Asian and Pacific allies and friends. Any diminishing of our security role could invite a deterioration of that confidence.

The desire of leading East Asian and Pacific nations to have our forces remain is reflected in our bilateral defense treaties with Japan, Korea, the Philippines, Australia and Thailand. It is also evident in these nations' increasing willingness to share with us the responsibilities and costs of the region's defense requirements. Today, at your request, I will focus my remarks on the role of our forces in Japan and Korea, and the contributions of these two nations to the preservation of peace in Northeast Asia.

U.S.-JAPAN SECURITY COOPERATION

The Treaty of Mutual Cooperation and Security, signed in 1960, continues to be the firm underpinning for the overall relationship between the United States and Japan. Both governments believe the treaty has functioned well, and that it will remain a vital instrument in meeting the challenges to our mutual security in the coming decades.

Since 1978, a consensus has emerged that Japan has primary responsibility to defend its homeland, territorial seas and skies, and its sea lanes out to 1,000 nautical miles. In 1985, the Government of Japan incorporated those defense roles in its Five Year Defense Plan. Our forces play a supporting role, provide the nuclear umbrella, have the capacity to bring counter-offensive power to bear if required, and protect U.S. and Japanese interests in areas where Japan's forces, for constitutional and policy reasons, cannot operate.

It is most important to keep in mind that our deployments in Japan serve broad U.S. strategic interests, and are there not simply to defend Japan. For example, from bases in Japan, our 7th Fleet's ships ensure security throughout the Pacific, and as far away as the Persian Gulf. Similarly, the 30,000-man 3rd Marine Amphibious Force is positioned on Okinawa to respond rapidly to contingencies in Asia.

We should also recognize that the cost of our bases in Japan is relatively low compared to the cost of replicating these facilities elsewhere -- if (and that is a big if) we could even find suitable alternative locations. Moreover, these costs will be further reduced as the Government of Japan continues to increase its already generous host nation support program.

We have encouraged the evolution of Japanese attitudes toward mutual security responsibilities, and our two countries generally agree about the nature and scale of the potential Soviet threat in the region. Also, we asked Japan to quicken the pace of its defense forces' modernization to ensure that they are prepared to fulfill their roles and missions. Examples of our success in this regard are the sale of the Aegis weapon system to Japan and co-production of the FSX.

AEGIS: One of Japan's critical defense roles is protecting its sea lanes, for which Japan needs the Aegis weapon system. Our proposed sale of this system to Japan has been discussed in some depth in Congress. May I again stress that the State Department fully supports this sale to enhance Japan's capability of defending its sea lanes up to 1,000 nautical miles from its shores.

Japan's current defense budget provides for the purchase of one Aegis-capable guided missile destroyer, with two more planned for in Japan's 1986-90 defense program. Subject to the availability of funds, Japan may purchase more systems in its next five-year defense plan. Each Aegis system represents about a $517 million U.S. sale to Japan. We also expect Japan will purchase on a commercial basis $9 million of General Electric engines for each hull. Some have proposed requiring that Japan purchase the system only in U.S.-built hulls. While we fully sympathize with the U.S.

shipbuilding industry's needs, and have proposed this to Japan, the Japanese Government responded that it would not acquire the Aegis system if such a requirement were imposed.

There has been some concern about whether a sophisticated system like Aegis should be sold to Japan. Let me state flatly that the Japanese Government has an exemplary record of protecting U.S. military technology. Japan already produces under license the F-15, the P-3C and the Patriot missile. Not once has the Japanese Government allowed a compromise of U.S. military technology. This record would seem to eliminate security concerns as a reasonable basis for prohibiting the sale of Aegis to Japan, either directly or through conditions that would cause Japan not to purchase Aegis.

FSX: As you may know, there was much interest in Japan -- particularly within its industry -- to produce an indigenously-developed fighter labelled the "FSX." We emphasized to the Japanese Government in our discussions about the FSX the importance of inter-operability between our two forces. We also highlighted the fact that the U.S. produces the world's finest military aircraft, and registered concern that the expense of a Japanese-developed aircraft could prove to be an uneconomical use of scarce defense resources. The Japanese Government finally opted for co-development, based on our F-16, for which we are now negotiating a memorandum of understanding. Our aims are to ensure inter-operability, an appropriate technology exchange, and a fair share of work for U.S. industry in both the development and production phases.

Defense spending and military activities remain potent political issues in Japan, where pacifist and anti-military sentiments run deep. Also, while friendly nations in the region accept Japan's defense-oriented military buildup, they remain sensitive about any indication that Japan might develop offensive capabilities, or seek a regional security role.

Within the above limitations, Japan has:

-- Increased its defense spending by 5.2 percent in 1987, a level consistent with meeting Japan's Five Year Defense Plan goals, and one well above NATO's 3 percent goal.

-- Its 1988 defense budget increased another 5.2 percent above 1987 funding. At current exchange rates, the 1988 defense budget is about $30 billion. This ranks Japan fifth world-wide in defense spending, and second among non-nuclear powers.

-- Mr. Armitage has already given you the specifics of Japan's host nation support. I wish to emphasize that it is the most generous of all such arrangements we have.

Japan recognizes that it must contribute more to the Western allies' common security interests, but because of the restraints mentioned earlier, the Government of Japan is doing so by increasing the quality and quantity of its development assistance. Japan is now the world's second largest donor of economic assistance. It leads the U.S. in the percentage of GNP devoted to aid -- 0.29 percent versus our 0.24 percent. Japan's aid program focuses on the Asia-Pacific region, where it is the largest aid donor to the Philippines, Thailand, and other key Asian states. Japanese assistance to other areas is also significant, as indicated by its 1986 assistance to Pakistan of $152 million and $71 million to Turkey. We will want to encourage Japan to continue and, indeed, to increase the quality and amount of its foreign assistance.

U.S.-KOREA SECURITY COOPERATION:

Since the end of World War II, North and South Korea have engaged in an intense, multifaceted competition. Despite the North's initial advantages, the clear winner of this four-decade competition is our ally, the Republic of Korea.

Today, the economic and political balance heavily favors the South. Its GNP is now five times the North's. The Republic's growth rate, approximately 12.2 percent in 1987, is five-fold that of its totalitarian adversary. ROK exports continue to soar (over $34 billion in 1986), while the North's exports are estimated at less than $2 billion. Trade last year between South Korea and the PRC far exceeded PRC trade with the North, although the PRC is one of the North's two major allies. ROK trade with the North's other security ally, the Soviet Union, also continues to expand.

We see in the North a rigid, centrally-controlled regime whose political stagnation mirrors its economic failure. Lack of basic freedoms and human rights are a tragic hallmark of the Democratic People's Republic of Korea. As that regime struggles to retain its stranglehold on its people, the nation it purports to serve continues to slowly suffocate, politically and economically. The North Korean ruling class's veneer of omnipotence hides a fragile internal political situation. There are no institutionalized mechanisms to ensure a smooth transition of power once its aging leader, Kim Il Sung, dies. There is no democratic tradition or genuine political consensus to help legitimize the next generation of leaders. Instead, the North's leadership elite has fallen back on a time-honored scheme for retaining and ensuring a smooth transition of power: the Divine Right of Kings, the creation of the first Marxist hereditary succession.

This stagnating, suffocating, perhaps brittle political environment stands in stark contrast to the situation in the ROK. There, a robust, pluralistic polity is developing nearly as rapidly as that country's economy. At first blush, the South appears less stable, more chaotic when compared to the North. The appearances, however, of instability are really proof of the inherent strength in the South's evolving democratic institutions, which have earned their rights to self-expression. As in our own boisterous political system, the free interplay of opposing views and objectives is a sign of a healthy, prospering democracy. Although some problems remain, we see a political consensus evolving in the ROK, where a strong, nationalist and proud people are taking control of their own future.

The South has also won the international political competition, hands down. Today, 122 governments recognize it, whereas only 100 recognize the North. Over the years, the number recognizing the North has continued to dwindle, while those recognizing the South continue to grow. Even governments with political reasons for not recognizing the ROK have decided that they cannot ignore its economic strength -- even for the sake of socialist solidarity. Healthy trade ties are evolving. A few months ago Hungary opened a trade office in Seoul. A Yugoslav international trading firm soon will do likewise. In a few months from now, other East Bloc governments may follow. Can the Soviets and Chinese be far behind? We believe not. A vibrant economic reality is transcending stagnant political ideologies, and eventually economic imperatives will lead to new political arrangements. As the Olympics will demonstrate, the Republic of Korea has come of age, and is ready to join the community of nations as a responsible, active member.

THE ROLE OF THE U.S. IN NORTH-SOUTH RELATIONS

Mr. Chairman, as you know, the U.S. and the Republic of Korea have together actively supported peace and security on the peninsula, and in Asia, through dynamic security ties. Our presence there has had but one goal: preserving the shield of strength that enables the Republic's citizens and government to pursue economic and democratic progress.

Let us make clear that this U.S. presence has no role in dividing Korea in defiance of the will of Koreans. We support whatever the Korean people themselves seek. We know, of course, that what they want -- what they long for -- is peaceful reunification, in freedom and dignity. What our presence has sought to accomplish is to preserve for Koreans precisely the right to decide for themselves, rather than to accept any fate forced upon them.

We do, however, feel strongly about the total tension and strain that the North's rigidities impose on Koreans living on both sides of the DMZ. Koreans on the northern side cannot contact, meet with, or learn anything about their countrymen in the South. Pyongyang perpetuates on its people a total falsehood of supposed poverty and destitution in a South Korea dominated by Japan and the United States. We have spoken often of the need for active steps to reduce tensions, and to promote understanding. We have even advanced modest proposals to stimulate the process. Unfortunately, Mr. Chairman, North Korea remains one of the world's most closeted and bellicose regimes.

Others on and off the peninsula have occasionally tried to misdefine or misinterpret our military presence for their own ends. Pyongyang is, of course, the instigator and source for most of these efforts. It tries constantly to ascribe to our presence dark motives and even darker acts. Pyongyang's goal is to drive a wedge between us and our ally, and to prompt withdrawal of U.S. troops so it can foist its will on the peninsula. The North's accusations are so ridiculous as to merit no attention.

Whenever the troops of one nation are on the soil of another, frictions and differences are certain to arise. Despite our excellent working relations with the Republic, some irritations arise from our military presence and from trade frictions. This is, in part, due to Korean nationalism reacting to the visible presence of another nation's soldiers. This sort of problem is difficult to eradicate entirely, yet both sides are working diligently and, I submit, effectively to minimize such friction.

The Korean government is now working harder to explain the nature of its security needs to a more pluralistic Korean public, one far more interested in the nation's development, and with much greater access through the media to the facts. Just as the Korean government is working to reduce its military's visibility, we too should do so.

Given all the South's progress, the regime in the north retains a substantial military advantage. This also may soon begin to erode, unless the North's allies, particularly the PRC and USSR, decide to provide even greater military assistance than is now the case. Until the time comes when the North realizes that international violence in the form of terrorism or armed invasion is not the route to international legitimacy and national reunification, the Republic of Korea must, with our assistance, keep up its guard.

The Republic of Korea, among all our allies, devotes one of the greatest percentages of its national treasure to defense. As General Menetrey points out, the ROKG has for many years made a substantial contribution to the support of our forces on the peninsula. The figure for 1987 is approximately $1.9 billion. We believe, however, that it can be more. As part of his consultations with important allies on questions of supporting mutual security interests, Defense Deputy Secretary Taft just concluded a successful visit to Korea during which these matters were discussed. They are also on the agenda for the upcoming visit of Defense Secretary Carlucci to Seoul for our annual security consultations in early June. We believe that the Koreans understand our needs, and we anticipate further progress very soon.

In concluding, I hope you share my optimism that our Japanese and Korean allies are making concrete strides toward a balanced sharing with us of our mutual security needs. Likewise, I can assure you that these nations are in full agreement with us that peace in East Asia and the Pacific is best assured through our continuing, close cooperation on security matters.

GENERAL QUESTIONING

PREPARED STATEMENT OF WILLIAM H. TAFT IV

Chairman STENNIS. Thank you very much for your statement. We are delighted to have you here. I am going to proceed now, gentlemen. First, I want unanimous consent that a written statement filed here by the Honorable William Howard Taft IV be inserted in the record at this point. Without objection, approved.

[The statement follows:]

WRITTEN STATEMENT OF WILLIAM HOWARD TAFT IV
DEPUTY SECRETARY OF DEFENSE

My visit to Japan followed a previously scheduled U.S.-Japan conference in Hawaii led by Assistant Secretary Armitage. I was able to reiterate points discussed at that time with the Japanese regarding increased bilateral decision-making and cooperation. I stressed that Japan's defense requirements and economic strength argue for greater Japanese participation. Issues discussed were:

-- Bilateral Defense Efforts. Current roles and missions were agreed as valid for the 1990's and beyond. I commended the progress to date, but stated that Japan would have only minimum capability to meet its defense goals. Japan can obviously afford a more robust capability, which would enhance self-defense and strengthen Pacific deterrence.

-- Technology Cooperation. This can strengthen Japanese defense significantly. The selection of a U.S. aircraft as the baseline for the next support fighter, the FSX, is a prime example. We have every reason to believe that this project will pave the way for further cooperative arms efforts. Joining of U.S. and Japanese technological forces would give both countries very strong leverage vis-a-vis the Soviet Union.

-- Support for U.S. Forces. Japan can reinforce our common defense by expanding its already substantial support for U.S. forces stationed there. Japan's decision to assume the expense of labor cost allowances and increases in its support for U.S. facilities are evidence of Japan's intent to ease this burden even further.

-- Overseas Development Assistance. This is not a substitute for defense but a natural area in which to consider new efforts to contribute to global stability, given Japan's policy, which we fully support, not to play a global military role, despite its obvious worldwide political and economic interests and immense national wealth. In 1988, Japan's development assistance budget will surpass that of the United States. While Japan has doubled its assistance funds several times in this decade, neither it nor the United States spends even one-half of one percent of its GNP on development aid -- in spite of the clear need for such assistance in countries such as the Philippines, Turkey, Afghanistan, and the South Pacific island nations.

Japanese development assistance efforts are all the more vital because -- in spite of the Administration's best efforts -- U.S. aid levels are unlikely to increase in the foreseeable future, and other countries' budgets are also tight. While Japan must decide for itself how much aid it is going to give and where that aid will go, we believe that a dramatic increase in Japan's development assistance, if untied and made on a grant basis, would receive a great degree of support within Japan, as well as from the U.S. and Japan's neighbors.

Our allies in the Republic of Korea (ROK) face a serious threat from the communist North. Foreign Minister Choi and Defense Minister Oh were quick to point out that the ROK spends 5.6 percent of GNP on defense -- a full one-third of their federal budget. The ROK also provides the U.S. with significant real estate, personnel and logistic support, training facilities, etc. Nevertheless, given the growing ROK economic capabilities, I suggested they increase their contribution in support of our common defense efforts against North Korea as well as the growing Soviet regional presence. There can be increased contributions to the Combined Defense Improvement Projects Program (CDIP) -- a program designed to develop or enhance facilities in support of U.S. forces on the peninsula. Also under discussion with Korean officials are contributions to our combined war-fighting capabilities in a broader context.

Secretary Carlucci will lead the U.S. delegation to the 20th annual Security Consultative Meeting (SCM) in Seoul in early June. We have every confidence that ROK officials will be prepared to respond with specific increased funding levels for their programs at that time. Secretary Carlucci will also visit Tokyo on that trip to discuss bilateral security issues.

I believe this trip to East Asia was an important step in meeting our goal of achieving some burdensharing progress by the end of the year. Our exchanges were useful for clearing the air and generating the support we need to sustain the effort. We still have a good distance to go. However, progress should be possible, and commitments can be made now to increased budgets in future years. The Burdensharing Task Force will continue to concentrate on the development of specific measures to raise with our security partners in the Pacific during the coming months.

REPAIRS ON U.S.S. "MIDWAY"

Chairman STENNIS. Proceeding in our usual way, Senator Stevens, I believe you were the first one that got here. So if you will proceed now, and if you need more time than 10 minutes, we can spare it, but hold it somewhere around there.

Senator STEVENS. All right, sir. Thank you very much. I will not take more than 10 minutes.

I thank you, Mr. Chairman, and I thank you, Secretary Armitage, for your comments concerning our joint efforts. I am on my way to Japan as soon as we finish this Treaty to have meetings with the Deputy Prime Minister and with a series of government officials concerning defense relations. As you know, I hope to go down to visit the *Midway* and look into the problems there.

I would ask you this. Is the *Midway* and the repairs that the *Midway* faces, is that one of the subjects that you have been discussing as to whether or not the Japanese could contribute to that?

Mr. ARMITAGE. No, it was not.

Senator STEVENS. I intend to pursue some of the peripheral issues of increased costs in Japan.

Mr. ARMITAGE. I hope you are going to pursue more than peripheral issues, because we really have given you a buildup.

Senator STEVENS. Well, I think we are going to pursue the center issues too, but there are some peripheral ones. For instance, when we visited Okinawa we saw new condominiums under construction and we were told those were built with the Japanese defense money, out of the 1 percent.

Do we pay them for the occupancy of those? Our people get housing allowances. Do they pay them for occupying those quarters?

Mr. ARMITAGE. No, we do not.

Senator STEVENS. I think I would look at that. I think that we are paying something but they are contributing something. And the difference is that we look at the Japanese defense expenditures and think they are defense expenditures like ours are, and I am not quite sure that we are looking at apples and apples.

Mr. ARMITAGE. That is right, to the extent that we figure in pensions as NATO does in their defense budget. They do not in Japan. So it works both ways.

Senator STEVENS. Yes, I understand that.

UNACCOMPANIED TOURS IN JAPAN

General, I join the Chairman in welcoming you here. We have had visits with your forces in Korea before. I am concerned about some of the differences in our deployments to Japan and Korea. Most of your people are on unaccompanied tours, are they not, General?

General MENETREY. Yes, sir. About 93 percent.

Senator STEVENS. So if you really look at the charts we have been given concerning the support that the Koreans pay to our deployment in Korea as compared to what the Japanese are absorbing concerning our deployments there, the bulk of our deployments in Japan are accompanied tours at the request of the Japanese government.

On a per-soldier basis, it looks like the Japanese do more. As I analyze it, if the military family in Korea is about 1.1 people per soldier, per individual military person, in Japan it is about 3.2. But the combination of costs is such that people think the Japanese are doing more than the Koreans. I do not read it that way, Mr. Secretary, and I think we ought to go back and analyze that from the point of view of the question of accompanied tours and what is its impact on our budget.

INCREASE IN U.S. ASSIGNMENTS TO KOREA

The Chairman here years ago raised the question about the extent to which we should have accompanied tours. I would hope that we would take some real long look at what is going on in that area. For instance, General, I am informed that our military people assigned to Korea have increased 16 percent since 1984. Are you aware of that?

General MENETREY. Yes, sir.

Senator STEVENS. What is the reason for that?

General MENETREY. The normal force structure improvements, addition of communications and other kinds of units—attack helicopters and so on—as part of our overall force improvement plan.

Senator STEVENS. But our force structure in terms of the defense of the continental United States has decreased. I see a penchant now for the military forces to increase overseas. Germany has increased. Korea has increased. Japan has increased. And the forces at home have decreased.

We now have some 326,000, not counting the Navy. We do not count the Navy any more in terms of NATO forces, but the total NATO strength is up considerably. The Korean strength is up considerably.

The overall Far East strength is up considerably. And yet we are asked by the Department of Defense to create a new commission about closing bases at home because there are not enough people to fill them.

And every one of those people deployed overseas right now costs us more than they would cost if they were here at home. Now that is what I am trying to talk to the Japanese about, Mr. Secretary. If they want those people to stay there and we want them to stay there, they are going to have to absorb some of these costs.

My figures show me that since the budget was prepared alone—this budget that we have before us was really costed out in October of 1987 and we are looking at it now for 1989—the yen rate has changed from 162-to-one to 125-to-one. The won rate has changed from 870-to-1 to 730-to-one. The increased cost from the yen exchange rate alone in Japan is $350 million, and Korea is $85 million.

And yet we are operating under a budget ceiling which means that if we have to absorb those costs we lose some tanks or some planes or we lose some improvements to bases, and Secretary Taft just went through that in terms of his problem.

I would say, gentlemen, I really think that it is great that we are now operating on the same wavelength concerning the fact that we should have increased contribution from our allies and in particular from the Pacific allies. But I do not think that that can stop there.

Mr. Secretary, there are 49,000 military people in Japan now, including 22,000 Marines in Okinawa. There are also 33,500 dependents. I mentioned that before. Why don't we now look to the policy of unaccompanied tour in Japan, as we do in Korea?

Mr. ARMITAGE. With your permission, can I go through your whole statement, sir?

Senator STEVENS. Yes.

Mr. ARMITAGE. There are several things I would like to address. First, your comment about analyzing the accompanied versus the unaccompanied tours to try to find out what the Japanese do vice the Koreans is an excellent idea. I would also want to factor into that, however, something that is relatively intangible, and you can either agree or disagree that we put the right factor on it. It has to do with retention rates in the services and morale and things of that nature, as well as travel costs. I do not know right now what factor to give it, and I will work with you on that. But there is a factor there, and that gets to the last part of your question, looking to accompanied or unaccompanied tours.

The immediate threat to Korea is somewhat different from the immediate threat to Japan in terms of the North Koreans' unpredictability. This is in large measure one of the reasons that we do not have more accompanied tours in Korea.

Second, the cost sharing or Combined Defense Improvement Projects Program we have in Korea gets right at the heart of combat problems and combat facilities and does not address the quality-of-life items, while in Japan, contributions made through their Facilities Improvement Program address morale and quality-of-life issues for U.S. forces and generally not the combat items. We come to you and Senator Sasser for those milcon items.

However, I take your point about the analysis, and I am going to try to give it a good go. I want to work with you and others to try to find out what factors to apply.

COMMITTEE SUPPORT OF UNACCOMPANIED TOURS

Senator STEVENS. Let me hasten to add that this committee supported the concept of accompanied tours. I still support that, but I think that we are not addressing the Japanese and the Koreans in saying we have our military people here and we basically pay for them. We would like to have you change your policy with regard to support of the family costs that we must incur to assure the morale of our people and that our families stay together.

I see this as being another item that we ought to negotiate more with both the Japanese and the Koreans and say a stable force requires families and families mean longer tours—and that is a lower cost to us, by the way—but being there you ought to pick up a great deal more of these family costs and realize that that is your burden. And if we could have that kind of understanding I think then that the concept of burden-sharing would be better defined.

It is not to reduce accompanied tours that I raise the issue. It is to increase the contribution from Japan and Korea.

Mr. ARMITAGE. Without having specifically addressed the family unit in our discussions with the Japanese, we have definitely addressed the whole issue in principle. We have talked about their assuming eventually all of the yen cost to U.S. forces and a lot of what you are discussing falls under that rubric.

I think you will see that that groundwork has been laid quite well when you arrive in Tokyo.

Senator STEVENS. I just have one more statement, if I may, Mr. Chairman, because Dr. Sigur here from the Department of State has raised some interesting questions, primarily related to our overall strategic concepts of deployment. How long has it been since the Department of State reviewed the actual needs for our deployment throughout the world as far as our defense needs in relationship to foreign policy?

Have we had such an overall, worldwide review? I cannot remember one for myself since Mike Mansfield's day.

Dr. SIGUR. I do not know of an overall review, Senator, that we have had, but we are constantly looking at this. This is something, certainly in our bureau, that we are constantly looking at

CUT IN NATO FORCES.

Senator STEVENS. Senator Stennis and I opposed Senator Mansfield's amendment, which would have cut in half our deployment of forces to NATO. At that time, he would have cut it back, in my memory, from a level of about 280,000—and he counted the Navy. Now we are dealing with 327,000, not even counting the Navy. The difference is at the time Mike was doing it, those were basically unaccompanied tours.

Today, by my count, the American taxpayers support more than 1.1 million people per day on the continent in connection with our NATO obligations, notwithstanding the fact we only have 327,000 members of uniformed forces.

Now that makes it, to me, more important for us to review our overall strategy. Are we wrong to go to a permanent concept in terms of this extending accompanied tours across the board in Europe?

We could go into that at length, Mr. Chairman, and we did go into it at length on one trip and we found that the people who lived in one base in Germany spent part of their time in Spain in training, spent part of their time up on the line. They spent part of their time over in The Netherlands. And we had their families sitting there in Germany, waiting for daddy to come home the same as they would have if they had been sitting in New Jersey.

I wonder about those costs. I think we ought to have an overall review for us, an objective overall review, and I would urge the Committee next year to go into this question of the policy of accompanied tours and its cost on this budget so long as we are operating under a ceiling. Every time you bring over another dependent, General, you are going to have to cut two service people, if we are operating under a ceiling.

Chairman STENNIS. These were good questions and answers, handled well by you gentlemen. In keeping with the spirit of our meeting here, I think we ought to move on now. Senator Johnston, you are next on the list.

Senator JOHNSTON. Thank you, Mr. Chairman.

STATE OF SOUTH KOREAN READINESS

General Menetrey, first I want to congratulate you on commanding one of the finest military fighting forces in the world, with high states of readiness, esprit de corps, discipline. You deserve a lot of credit.

Would you give me a qualitative analysis of the group which you command as opposed to the group which the North Koreans command?

General MENETREY. Qualitative? Sir, there are various ways to measure quality. One, of course, is weapons systems comparison. Generally speaking, the weapons systems' quality falls on our side. It varies a little bit by type, and you can go through ground systems and so on.

The North indigenously produces all of their ground equipment. They do not indigenously produce their air equipment or most of their air defense; that is provided by the Soviet Union. But generally speaking on a qualitative basis, particularly in the air, and most particularly in the naval component, we have a qualitative advantage over the North.

AIR POWER

Senator JOHNSTON. And the air power which you could call in in the event of a full-scale war from Japan and elsewhere would be overwhelming, would it not?

General MENETREY. It would. In terms of quality it would be overwhelming, yes, sir.

Senator JOHNSTON. In terms of numbers as well, wouldn't it?

General MENETREY. In numbers not so overwhelming, but our determination is that the air-to-air balance is in our favor because of the qualitative difference.

COST OF MAINTAINING TROOPS IN KOREA

Senator JOHNSTON. Now, General, could you tell me—or Mr. Armitage, any of you—what the total cost is for maintaining our 44,000 troops in South Korea. When I say total cost, I mean the cost of having them there as opposed to not paying for the troops at all. I am not suggesting that we demobilize these troops, but it is the question of cost.

General MENETREY. Sir, I believe total costs were in my written statement. I could say relative to having them somewhere else.

Senator JOHNSTON. No. I am talking about relative to not having them in South Korea at all.

General MENETREY. Relative to not having them? That would be very difficult to say, because there are other parts to that equation. You may have to have different strength elsewhere to make up for the strength on the ground in Korea. It would depend on how you would assess the security situation in the region.

Senator JOHNSTON. I am saying if peace broke out tomorrow and we could take 44,000 troops home, send them home to mama, what would we save? Do we know or can you give us that figure?

General MENETREY. Yes, I can probably go down the tally here, but it is in the written record.

Senator JOHNSTON. It is in your written statement.

General MENETREY. If you talk pay and allowances, or however you want to count it, I suppose you could save it all.

Senator JOHNSTON. All right.

General MENETREY. You would certainly have less deterrence.

Senator JOHNSTON. I understand all the arguments for it. I am just asking if we know what the cost is.

SOUTH KOREAN ECONOMY

Now, Mr. Armitage or any of you, the thing that concerns me about our deployment in Korea is that here we have a country, South Korea, twice as large as North Korea, seven times the GNP. South Korea puts up 5.5 percent of their GNP to defense when we put up 6.8 percent. We do have a rapid deployment capability—at least we have been paying for it.

The trade balance is $10 billion in favor of South Korea and $60 billion in favor of Japan. And it just seems to me that we are paying this cost for their defense when they could very well be doing it. I do not understand the logic to that.

Let me ask the question another way. Brigadier General John C. "Doc" Bahnsen retired from the Army in 1986. He was chief of staff of the Combined Field ROK/US from 1982 to 1984. And he has a lot of experience which I will not read.

But he says:

> Strategically, the warfighting balance between North and South Korea shifts more in favor of our Korean friends each day. There are more than 40 million South Koreans stacked up against 25 million in the communist north. The South Korean economy is surging; the north is stagnant. Militarily, South Korea's strength is in ground forces, where a large standing army is backed by over four million reservists available in 24 hours. Against this massive ground force, the U.S. commitment of a single infantry division is absurd. Moreover, in time of war, deploying the Ft. Lewis-stationed First Corps is like carrying coals to Newcastle. What the South Koreans need is aerial and sea-based fire power to complement their massive, rapidly-modernizing ground forces.

It goes on at some length. Let me add one more element to it and then ask you to answer. That is, the last time we considered, when Jimmy Carter was talking about bringing these troops home, both the PRC and the Soviet Union were much more hostile in their attitudes towards us and, it seems to me at least, much more likely to reinforce the North Koreans should they invade the south. It seems to me now that they would not only be unlikely to reinforce but would actively oppose that.

Given all those things, why should we continue to be in South Korea? Why should we not at least make plans to urge in the strongest way that the South Koreans at least put up as high a percentage of their GNP as we do of ours?

General MENETREY. May I take some of that, please? I did not know which part of General Bahnsen's article you were going to refer to, sir. I thought you were going to refer to that part where he said we need more U.S. tank production and less carriers.

Senator JOHNSTON. Well, I sponsored an amendment last year to add 60 M–1 tanks. I suppose that is another part of it—if it is so important, why should we have M–60's over there rather than M–1's?

General MENETREY. General Bahnsen was the chief of staff of the Combined Field Army at the time I commanded it, so I am familiar with his views. I think the main point of his article was to upgrade our materiel, on the Army side at least, in Korea.

As to the other question, it may not be too common knowledge that of all of our allies, if you take the last 15 years, the Republic of Korea has increased their defense spending bythe largest amount, in fact more than double any other nation.

Senator JOHNSTON. That is not saying much, I might add.

General MENETREY. Sir?

Senator JOHNSTON. I say that is not saying very much.

General MENETREY. It has varied between six, 6.2 and 5.5 percent of their GNP over those years. And, of course, their GNP has gone up steadily; therefore, the amount has gone up.

In any event, the balance between the North and the South is a function of many variables, but it is a function of what the North does as well as what the South does. The capability of the Republic of Korea's armed forces is increasing, and it is increasing daily, as General Bahnsen has indicated.

I do not think the balance is such at this time that U.S. forces or the threat of employment of U.S. forces is superfluous—because what we are seeking to do is deter war. The threat of employment of U.S. forces is a great deterrence to war in that region.

Senator JOHNSTON. Let me ask it, then, this way. If you took American forces out, would North Korea be strong enough to mount a successful invasion of the South?

General MENETREY. The situation would be more marginal than it is now. The actual capability is important, but what is more important is what the North Koreans think it is. The scenario over there is complicated by the short distance, the limited warning available because of that short distance, and the forward deployment of the North's forces.

More important, however, is what the North thinks they can do. With 26 miles down a reasonably open corridor to Seoul, they might be tempted. They will not be tempted, in my view, as long as the United States maintains its commitment under the Mutual Security Treaty to come to the defense of the Republic of Korea if they are attacked, and to do that quickly.

Senator JOHNSTON. Deploying 44,000 troops is not the only way to meet that commitment, is it? Why not do as General Bahnsen says—support them with air and sea power and do not have our troops over there with outdated equipment. As he says, "if the purpose is to spill American blood early to ensure U.S. involvement in any war on the Korean peninsula, then there are many easier ways to do that."

It seems to me that maybe we should not ask the question of pull-out and demobilizing, but maybe we ought to ask the question in terms of, look, South Korea, you are a great and valued friend. We love you. We think you face a threat here, but why don't you put up 6.8 percent of your GNP just as we have. After all, you have got a $10 billion trade surplus with us, and with that 6.8, as I figure it, that would add about $1.5 billion to their defense commitment, which would be about enough, I think, to pay for our troops.

Why shouldn't they do that?

General MENETREY. Sir, that is a multiple choice question, if I might say so. The deterrence value of different kinds of forces has to be at issue here, and there is a Korean saying—and I will admit the Koreans will make up a saying for any occasion—which says that the air and naval forces are like geese; they just honk and fly away.

The commitment of ground forces is the greatest single deterrence that we can have in any place in the world, particularly when you have an armed border such as we do in Korea.

In terms of the Koreans increasing the amount they spend on defense, as I mentioned they have increased it more than other allies, dramatically more. But can they do more? Yes. They have had a favorable balance of trade now for two whole years running and their economy, as far as anybody can tell, is going to continue to advance. So, yes, they can and probably will over time devote more to defense. Whether they go to 6.8 percent, sir, I cannot tell.

INCREASE IN SOUTH KOREAN DEFENSE EXPENDITURES

Senator JOHNSTON. Let me ask the question in this way. If we were to say on this committee that we must have less American expenditure or more South Korean expenditure—how would we go about doing that? Granted that you want to spend more, not less, and we want to spend less, not more, how would you prioritize? What advice would you give us if we just said we have to have another $1 billion that we have to save in Korea? How would you go about doing it?

General MENETREY. How would I cut $1 billion out of the $1.4 billion or so that it costs for American forces over there?

Senator JOHNSTON. Well, you could either negotiate with the South Koreans to pay us $1 billion for the maintenance of the troops there, or have them add $1 billion. How would you account for $1 billion? 6.8 percent of their GNP would give them, as I figure it, $1.5 billion, roughly, additional dollars. How would you go about doing that?

General MENETREY. Sir, I would not know how to approach that, because the equation has to be approached from a security and deterrence viewpoint, and I really could not start to trade off in that manner. If that amount of monies werewithdrawn from our support of Korea, we would have to approach that from a force balance perspective and try to determine what we could do best with the remainder. And I have not done that.

Senator JOHNSTON. Okay.

Mr. ARMITAGE. Sir, can I make a run at the whole question, with your permission?

Senator JOHNSTON. Sure.

Mr. ARMITAGE. I might be like Humphrey Bogart in Casablanca and misinformed, but I have slightly different figures on the amount of GNP, both our own and the Republic of Korea's, being spent for defense. I have 6.2 percent in outlays for the United States, and 5.9 percent total in 1988. I have about 5.5 percent for the Republic of Korea. But your point is still a valid one.

What you said would make a lot of sense if you just viewed our deployment in the Republic of Korea in isolation. But I do not think we can view it in isolation.

Senator JOHNSTON. Excuse me. That 6.8 percent is from the Department of Defense report, April 1988—6.8 percent for the United States.

Mr. ARMITAGE. I have a different figure here. I was not arguing with where you got your figure. I am either going to argue with my guys or go back and check it.

We cannot view the military situation in isolation. You mentioned President Carter's initial enthusiasm for the withdrawal of U.S. forces.

Well, I do not know of anybody who believes that you would have the first democratically-elected President in 17 years had we done that in the Republic of Korea. And I do not know of anybody who thinks that you would have just had National Assembly elections that were as vibrant as they were in the Republic of Korea.

This is an umbrella. It is not an umbrella that protects just Korea. We are not altruists, though many of us would claim to be. We are hard-headed realists. We are there because it is in our interest.

Senator JOHNSTON. You are saying that those troops there are the things that give us democracy?

Mr. ARMITAGE. No, I am not saying that. But I am telling you that it is the umbrella under which democracy grew. But there are other points as well.

The Republic of Korea could have done what the North Koreans did and devoted 20 percent of their gross national product to defense—it is just an estimate we have of the North Koreans; we really do not know—and sacrificed economic and social development. They did not; they moved forward on all fronts relatively simultaneously, and consequently are able to have what right now has to be seen as a very vibrant democracy.

Had they not done that, had they poured everything into the military, absent the U.S. umbrella, I suggest that the liberalization that has appeared in the Korean scene would not have occurred as yet, could not have occurred as yet. I further submit that that has an effect on Japan and, indeed, the United States as well.

Senator JOHNSTON. I think Senator Stennis is about to call time, but let me just say that granted that that may be true—and I did not ask this question last year, but this is this year and we are having a tough time with this budget—it looks to me like the burden is not being adequately shared.

Mr. ARMITAGE. Yes, sir. I take your point, but I want to make sure you understand that we have talked to the Republic of Korea about more adequately sharing the burden. That is what Mr. Taft was there to do, and that is what his statement for the record is suggesting.

Secretary Carlucci will be there and I will be with him next week, and we are not only planning to take this up with the officials in the Republic, we are also hopeful that we will get some positive movement in the direction that you want.

Chairman STENNIS. All right, gentlemen, thank you for your testimony.

Senator D'Amato, that brings us to you. We gladly call on you, sir. We are using the 10-minute rule.

Senator D'AMATO. Thank you, Mr. Chairman.

PANAMA

Mr. Chairman, I realize that this hearing is dedicated to the issues of our security interests in the Pacific region, but it is not often that we get the Assistant Secretary of Defense for International Security Affairs before the Committee, and hence I am going to ask your indulgence so that I might ask briefly Secretary Armitage several questions in regard to Panama.

It seems, Mr. Chairman, to this Senator that General Noriega has successfully divided the doves in the Pentagon from the realists in the State Department. Yesterday Secretary of State Shultz announced that the negotiations with General Noriega have been terminated. Meanwhile, the Cubanization of Panama continues unabated.

Mr. Secretary, my question is, do you consider the growing Cuban influence in Panama a potential national security threat to the United States?

Mr. ARMITAGE. Obviously I do, Senator.

Senator D'AMATO. All right. Let me ask you this. It has been reported publicly, privately, in the media, from the national security people, from the Secretary of Defense, indeed as recently as 2 weeks ago—a little more than 2 weeks ago—the Secretary was very steadfast as it related to his opposition to even consider the use of force. Given the sorry debacle that we have gone through—and I think it is a sorry debacle; you can frame it any way you want: you can say we used measured restraint—we have been toyed with, played with, made to look foolish and ineffective.

I want to ask you, do you still think that we should publicly continue to preclude the possibility of the use of measured force, or shouldn't we keep all of our options open?

Mr. ARMITAGE. I do not think that anyone has totally precluded the use of force, Senator. We always have that option.

I must say, however, that if we can find a way that serves the interests of democracy in Panama and the interests of the majority of the Panamanian people and our own national security interests without resorting to the shedding of United States and Panamanian blood, then we are going to exhaust every avenue to do so.

Senator D'AMATO. Do you feel now that we have gone that step and maybe even beyond, to the point that we have now created the situation that I wrote to Secretary Carlucci, again well more than a month ago, and told him what we run the risk of doing is turning the Panamanian people against us as a result of their frustration in a policy which was born to fail, sending the third string down, our Assistant Secretary of State, to meet and to deal with Manuel Noriega?

Now, do you think he really would respect—first of all, he would not even meet with him—that kind of an envoy? Would we not have done a lot better by sending somebody like Vernon Walters or a military three- or four-starer who could give him the kind of message necessary behind the scenes to indicate that we were serious to resolve this matter?

Mr. ARMITAGE. Could you repeat the first part of your question?

Senator D'AMATO. No, I am not. I will tell you what I am going to do, though. Two weeks ago I raised a question with Secretary Carlucci. I pointed out to him that on April 10 the New York Times—April 10 of this year—ran a story referring to a secret 6-month study done in 1984 by the Joint Chiefs of Staff "supposedly recommending that the Pentagon take the lead in determining what was needed to combat the drug threat, even if it meant rethinking the military's principal mission of combat readiness or changing the law to allow greater cooperation in law enforcement."

Apparently that report indicated that the drug cartel and the drug threat presented a greater threat than our traditional problems vis-a-vis Latin America, communism, et cetera.

Now I wrote to Admiral Crowe asking to see the report on May 2. General Herres, the Acting Chairman of the Joint Chiefs, wrote back saying that he had referred the request to Secretary Carlucci. Two weeks ago Secretary Carlucci was here. Mr. Chairman, you may remember I raised the question with Secretary Carlucci.

He said, well, I have sent this to my staff and they are reviewing it.

Senator D'AMATO. Well, how long will that take for you to make it available to the Senate?

Secretary CARLUCCI. I have not consulted my staff. I will continue to see them as soon as I get back and give you an answer.

Senator D'AMATO. OK. When could I expect an answer?

At this point, the Chairman felt that the point had been established and he said, "I think the main point has been established." But, you see, I had an idea that this thing was going to be stonewalled. That is my expression. And I will tell you why I say that.

The Secretary goes on. He says, "I hope that by the end of the day we could get an answer." Well, it is 16 days later. I do not have an answer. Now you are the Assistant Secretary for International Security Affairs. Have you seen that report?

Mr. ARMITAGE. Yes, I have.

Senator D'AMATO. Is it such a tough thing to give us a copy of a 4-year-old report?

Mr. ARMITAGE. No. Mr. Carlucci told us to move it on up, and we were doing that. As far as I am concerned, it has gone out of my office long ago.

Senator D'AMATO. Well, it is 2 weeks now.

Mr. ARMITAGE. Well, you have the advantage of me.

Senator D'AMATO. Can you send it to me this afternoon? I will come over and get it. I will drive over.

Mr. ARMITAGE. I think that is hardly necessary, Senator.

Senator D'AMATO. Well, I think it is necessary. I have not gotten it. So would you please? Are you saying to the committee now and to me that you will send that report this afternoon?

Mr. ARMITAGE. I am going to say that I know of no reason why you cannot have it sooner, but I am going to find out. I will further say to the subcommittee that you have the advantage of me on that particular item, because I have not seen it in several weeks.

Senator D'AMATO. Well, you have not seen the report in several weeks.

Mr. ARMITAGE. In several weeks.

Senator D'AMATO. Again, this was 16 days ago when I brought this up.

Mr. ARMITAGE. That was about the time that I saw it, when Secretary Carlucci came back after his discussion with you and the other Members.

Senator D'AMATO. Well, you know, you are going to go away now. You will be over to Korea and Japan, et cetera, so I would really appreciate it if I could get a copy of that report.

Mr. ARMITAGE. You will have it.

Senator D'AMATO. Now, in addition thereto, I am pleased that you indicated that we should not publicly continue to disavow the use of whatever measure is necessary that we have to take, because I honestly believe that when Noriega hears this, when he reads it, when he sees it. that has emboldened him, that has strengthened him, and he has taken advantage of the situation.

It is about time that(we began to use some psychological warfare, that we began to become somewhat effective. I think it is a sad day, too, when I get the kinds of reports that I have been as it relates to who has been opposed to even incrementally giving the kind of assistance to the Panamanian people that would make their job—I am talking about President Delvalle—a lot more effective.

I will not go into, at this time and in this session, some of the options that are open that are short of military but certainly that I believe should be employed.

Mr. Chairman, I thank you for indulging me in this, and I would like to just make one observation as it relates to South Korea. I hear the General talking about the fact of the necessity of 8,000 substandard housing units. Is that basically what you said?

General MENETREY. Yes, sir.

Senator D'AMATO. OK. Let us get the South Koreans to build the 8,000 units, because when and if the day comes that we leave, they can have them. They will not fly away either, you know, just like the troops. So you have that good statement.

It seems to me that Senator Johnston is absolutely right, Senator Stevens is absolutely right. It is about time you began to sit down with them and tell them, man to man, you come up with the dollars for it. This is brick and mortar. It is going to stay here. It is going to be here. You can use it later.

Now we have got to be a little more innovative. We are going to have cutbacks here. I am considered to be, you know, not too dovish and I support your military appropriations. We have got to see to it that the limited resources we have are spent and prioritized in the best manner. I do not think building housing, permanent housing, in Korea is the manner in which we should get the best bang for our buck. I think there are alternatives and I would hope you would explore that.

Thank you. Thank you, Mr. Chairman.

Chairman STENNIS. Thank you, Senator.

Senator Sasser, that brings us to you, sir.

Senator SASSER. Well, thank you very much, Mr. Chairman.

On the whole question of sharing the cost of housing, in the report of the Military Construction Subcommittee, which I chair, on October 16, 1987, in that report we indicated that:

> The committee recognizes the political difficulty of securing host nation support to increase U.S. warfighting capabilities in some foreign countries. The Committee believes that it is appropriate to seek host nation support for U.S. military family housing and community facility construction and operations. The Committee directs the Department to seek bilateral discussions with allied countries aimed at securing such contributions.

Now it was the view of that committee, that subcommittee, at that time that it was appropriate and perhaps the best expenditure of some of our allies' funds, particularly the Japanese and perhaps the Koreans, to assist in the construction of family housing and other facilities for U.S. forces which are helping safeguard their security. And, of course, the point has been made that in many cases these facilities will be left behind, we hope, someday.

So I would just commend your attention to that report, Mr. Secretary, and I am confident that you and your colleagues in the Department of Defense are studying that and are working on that project and will give us some encouraging news along that line in short order.

Let me just say that the whole question here of Panama has come up, Mr. Chairman. I am not sure this is the appropriate place to bring it up, but I would say it is my view that it is inappropriate for us to be inferring that the United States is going to invade Panama, inappro-xriate for us to infer that the United States military forces may be deployed against the country of Panama. This whole episode with Panama has been an embarrassment. It is American policy in debacle. Our Government has been humiliated. Our President has been humiliated on the eve of the summit conference with the General Secretary of the Communist Party, Mr. Gorbachev.

And I think the best said about Panama now is simply let us get together there and discuss this whole situation with the Presidents of the nations of the region, who also find the leader of Panama an embarrassment, and see if we cannot approach this thing collectively, because clearly we have been very, very unsuccessful approaching it unilaterally and making bellicose statements that we cannot and will not back up.

So I simply say that to you, Mr. Secretary, to let you know that at least this committee is not unanimous in expressions that you have just heard previously.

Mr. ARMITAGE. You again prove that the U.S. Senate is the most democratic body in the world.

JAPANESE LOANS TO SOVIET BLOC COUNTRIES

Senator SASSER. Dr. Sigur, I would like to address a series of questions to you on a burden-sharing issue that I think is potentially as important as the level of defense spending that our allies are engaged in.

Now, I will ask you if you are familiar with the number of Japanese banks that are granting billions of dollars in untied loans to the Soviet bloc, to Cuba, and to Vietnam.

Dr. SIGUR. I know of some of the relationships there, Senator. I do not know what detail I have on that.

Senator SASSER. Let me say for your benefit and the benefit of my colleagues here on the subcommittee that Japan is providing the Soviet bloc 40 percent of their entire bank credits, and I want to know, Mr. Secretary, what is the position of the State Department on such practices by our allies, to provide billions of dollars in untied loans to the Soviets, Cuba, to Vietnam, to use as they wish.

It appears to me that in providing these untied loans that this is a benefit that is detrimental to the security interests of the United States.

Dr. SIGUR. Senator, I agree with you. This is something that one has to look at very closely. Japan is not alone in this. There are other countries from the western world which do similar things. I think it is something that we watch all the time and we try to discourage as best we can this sort of activity.

Senator SASSER. But, Dr. Sigur, we are going to have to do more, in my judgment, than just look at it. This business of providing these untied loans, particularly to the Soviet Union, actually increases the Soviet military threat against the United States, and the Soviets are a country with not a great deal of foreign exchange, and these funds are used to bankroll many of their efforts at subversion around the world.

And when our allies engage in these banking practices, particularly Japan, they are actually increasing the defense burden on the United States. These are general purpose loans. They represent billions of dollars that end up in Tripoli, in Hanoi, in Havana, and who knows where else.

Now I asked the Secretary of Commerce, Mr. Verity, the other day when he appeared before one of our other subcommittees, and he just took the position, well, what can we do about it. It is their business anyway. They can loan money to whoever they want to.

Now, when Secretary Carlucci appeared before this subcommittee I raised these questions with him. And the Secretary was quite candid in saying yes, these practices are adding to our defense burden. And I would hope that the Department of Defense can get through to the rest of the administration and see if we cannot do something about these so-called untied loans.

I might ask you, Mr. Armitage, I sent a letter to the Department of Defense urging that the issue of untied loans be included on the burden-sharing agenda when you travel to foreign capitals. Was this issue raised in Tokyo?

Mr. ARMITAGE. Will it be discussed?

Senator SASSER. Yes.

Mr. ARMITAGE. Yes, it will be discussed.

Senator SASSER. Well, I trust that you will discuss that as forcefully as possible.

Mr. ARMITAGE. I think a slightly higher level will discuss that as forcefully as possible.

KOREA

Senator SASSER. On the question of Korea, Senator Johnston raised some very interesting questions and some very interesting points. I noted just the other day the Department of Defense was before the Military Construction Subcommittee asking for substantial funding to build a new military hospital in Korea. I indicated at that time that that hospital I thought would have pretty tough sledding as far as our subcommittee was concerned, on the whole question of getting the Koreans to do more in the comon defense there.

Wouldn't we be just as well off—I will ask this question of you, General—if we withdrew our ground forces there in Korea and simply relied on providing air cover to the Koreans? We are occupying the Osan Air Base there. That is 16 miles from the DMZ, and it appears to me that that would provide the trip wire, if indeed we do have our troops there on a trip wire basis.

What is your reaction to that?

General MENETREY. My belief is that it would be a significant decrease in our deterrence if we withdrew our ground forces, for two reasons. First, the ground forces that are there form more than their numbers would indicate of the combat power of the combined ground component of the Combined Forces Command. That is because of the way they are organized and equipped. They are deliberately organized to complement Korean ground forces. They would perform a true combat role if war were to take place.

The second and most important reason for saying that our withdrawal would not be a good idea is that they also perform a primary deterrence role.

You mentioned, sir, if I might, the hospital, and before that housing. I was speaking, of course, of barracks, not family housing, and of course I was speaking about the American forces. But let me cover with you, if I could, the mission given to a program we call CDIP—for Combined Defense Improvement Projects Program.

As Mr. Armitage mentioned, it differs slightly, depending on what country you are talking about. In Korea, the mission of this program is to obtain Republic of Korea funding centrally for the construction of U.S. facilities which directly enhance the Combined Forces Command warfighting capability.

Over the years, they have contributed some $768 million. So whether you are talking about the construction of warfighting capabilities or of barracks, the whole thing has to be taken together. This is one of the areas in which we are urging the Koreans to increase their contribution to the CDIP Program, which, as I said, directly contributes to warfighting, the same as with housing, which stays in Korea and in fact for the great part is built by Korean construction companies for leaseback to the United States.

We are urging that they increase their contribution, but it will not be for housing, because that program is designed for warfighting facilities and not for quality-of-life or troop support.

In Japan it is the other way around.

Senator SASSER. My time has expired, but one final comment. General, you did say that your presence there was significant, or our presence there with ground forces was significant because of deterrence.

I would submit that our presence at the Osan Air Base 15 miles from the DMZ would be significant deterrence, and I really doubt that the presence of one infantry division would represent any more significant deterrence than the presence of U.S. air forces that close to the border with North Korea.

Chairman STENNIS. All right. Senator Cochran, that brings us to you, sir.

Senator COCHRAN. Thank you, Mr. Chairman.

AEGIS FIRE CONTROL SYSTEM

Mr. Secretary, in connection with the issue of Japan assuming more of the responsibility for the costs of its own defense and the reluctance to transfer sophisticated weapons systems to Japan from the United States, I am interested in the discussions and the negotiations about the transfer or the sale of the Aegis fire control system.

I understand that there is some conversation on the other side of the Capitol about legislating a prohibition against that transfer. I do not know what the status of any effort like that is right now. But I was wondering about this. Do you think it would be possible to negotiate with the Japanese a purchase of the ships with the fire control system of Aegis included in the transaction, included in the ship, so that it would minimize the concern of those who worry about the transfer of the technology?

Has that been discussed at all, or was that a part of any negotiation?

Mr. ARMITAGE. Yes. I might, initially, say that, particularly on the House side, there was a great deal of concern about the protection of technology in the Aegis system. I think that in our explanations to the Congress we have put that to rest. First of all, never has there been a diversion in Japan of technology transferred government-to-government—never. The diversions have been from the private corporations, and this is a government-to-government agreement.

Number 2, the software, which is what we are really talking about, is protected. It is basically "black box" transferred so there is not the transfer of the technology of the software.

The cost of the weapons site for the Aegis is between $517 million and $526 million, which will be spent here in the United States; a little less than that will be spent for the hull and associated equipment which would be built in Japan. We have discussed with the Japanese the possibility of building the hull, et cetera, here in the United States. But I must say they are a democracy, too. They have a large shipbuilding industry, just as you have.

It is my view, and indeed it is the view communicated to the Congress, that if we demand that the entire ship, the hull included, be built here, the Japanese will build non-Aegis cruisers and we will lose, one, the capability, and two, 5,400 man-years of work in the United States.

Senator COCHRAN. Has this actually been a matter that has been discussed with the negotiators in Japan? If so, at what level were these discussions? At what level did they take place?

Mr. ARMITAGE. I would leave you with an incorrect impression, Senator, if I let you believe that these are negotiations. These are foreign policy discussions, and we are both, on our side of the aisle and on the Japanese side of the aisle, searching for ways to increase our national security without any detriment to our foreign policy relationship. So the word "negotiation" is not one that I would use to characterize these talks.

We have talked about these matters at the Assistant Secretary level.

Senator COCHRAN. Well, I would hope that a genuine effort would be made to convince the Japanese that it would be a good idea for them to purchase the ships as well as the fire control system. We have got a pretty big imbalance in our trade with Japan. We are seeking ways to deal with that. The trade bill is a classic example of frustration here in the Congress over the inability to reduce that bilateral imbalance.

It would seem to me that if t'ere is mutual concern—and I am sure there is—on the part of Japan as well as the United States that that issue be addressed in some meaningful way. This is an opportunity to make a step in that direction. If Japan goes forward and builds a fleet of ships and we supply the fire control system, we might have lost a real opportunity to do something about our trade imbalance and at the same time contribute to Japan's assumption of more of the costs of its own defense.

It just seems to me that this is a good opportunity, and if we give up too easily you are not going to win any points in this negotiation, which you say is not a negotiation.

Mr. ARMITAGE. Discussions.

Senator COCHRAN. But it seems to me like it could be a negotiation if you want it to be.

Mr. ARMITAGE. You make a good point. Your statement here, as you very well know, is a signal—and a very interesting one—to send to the Japanese, and others of your colleagues have sent a similar signal. I do not think there is any misunderstanding on their side about these matters. But I hope that you would realize two things.

One, they have a Senator Cochran from some constituency over there with exactly the same concerns you have. Two, I am a Defense official. I understand your points about a trade imbalance very well, but I am not going to be one who mixes trade and defense, because it lets people off the hook too easily.

If we had a more favorable balance of trade, does that mean that Japan's defense efforts should be any less? In my view, it does not, because the threat has not changed when the trade balance has changed. So as a Defense official I do my best to keep these things separate. But your statement is a signal nevertheless.

Senator COCHRAN. Well, what if, for instance—and I am not going to belabor the thing—over on the House side there is a concern that is so serious about the transfer of technology that there is a prohibition on the sale? Now that is not something that would be entirely shocking, to see the other body legislate a prohibition against the transfer of this technology.

If the likelihood would be lessened that there would be such a prohibition if we integrated the fire control system here and sold the ship as a package with the Aegis system included, those concerns may be allayed, to some extent.

Mr. ARMITAGE. If the other body voted that way for the reasons you just stated, they would be acting in an unthinking manner.

Senator COCHRAN. Well, that would not be the first time that had happened.

[Laughter.]

Senator COCHRAN. I served over there for 6 years, and I remember how decisions are made.

Mr. ARMITAGE. The protection of the techology would be exactly the same in either case, Senator. So, if they want to vote, I would trust that they would vote for the real reason and not in a misplaced or unthinking way. And I would trust that the Senate would have another view.

Senator COCHRAN. What if there were a mandate that this Aegis system could not be sold unless it were integrated into a hull here in the United States? Which would you prefer?

Mr. ARMITAGE. A hull procured here in the United States?

Senator COCHRAN. A hull built here and procured here in the United States.

Mr. ARMITAGE. If it were mandated, I think the Japanese would build their own ships, and they would have non-Aegis systems.

Senator COCHRAN. Which would you prefer to see—a prohibition against the sale of the technology in the House or a prohibition in the Senate against the sale unless it is attached to a hull?

Mr. ARMITAGE. Well, that is a real deal.

[Laughter.]

Mr. ARMITAGE. I would prefer to see the sale of the Aegis and the $517 million coming to the United States.

Senator COCHRAN. Well, you did not answer my question.

Mr. ARMITAGE. I cannot answer that question. You have given me a Hobson's choice or worse.

Senator COCHRAN. Thank you, Mr. Chairman.

Chairman STENNIS. Thank you, Senator.

Gentlemen, I have here a page of questions sent in by Senator Robert C. Byrd, a member of our committee. He asks that these questions be submitted for the record. Without objection, it is agreed to, and I will ask you gentlemen to take notice and answer these questions.

Gentlemen, we have been across the waterfront here and you have had very fine questions asked and good answers given. Do you want to use some more time now? We will allow any Member to ask additional questions and then ask you to answer additional questions.

Senator Johnston, did you finish your questions?

Senator JOHNSTON. Thank you, Mr. Chairman. I have a couple more questions.

AEGIS FIRE CONTROL SYSTEM

First of all, let me say, Secretary Armitage, I agree with Senator Cochran on the Aegis. I think the likelihood of that legislation is very high. There is a lot of sentiment on this side and that sentiment is from me as well.

Unfortunately, we cannot negotiate in the Congress; all we can do is legislate. It seems to me that when the Japanese are putting up one percent of their GNP and again we are 6.8 percent, we have got a $60 billion trade deficit with them, and we are going to go on and say well, we have got a few jobs here and we are just going to let you have this and get American technology, I wish I could negotiate it, frankly, I wish somebody who was a little tougher would negotiate, because, you know, this trade deficit keeps going up and up and up.

And here we are going to take a step that sort of makes it possible for them to create a new industry in competition with us in order to keep that trade deficit high. I just think it is soft thinking.

Mr. ARMITAGE. Senator, it would obviously be a lot easier for me if I could come and say "All right, the hull is built here and we have no problems." But I cannot do that. The trade deficit is, thank God, down, at least for the last several months. It is the lowest now, according to the Wall Street Journal, that it has been in three years.

We need to work at this. We have to work awfully hard.

Senator JOHNSTON. That is not because of any work that we did. That is because the dollar is falling rapidly against the yen.

Mr. ARMITAGE. It is for a lot of reasons. I am not sure that the dollar/yen ratio coming more into line is not a good thing.

But, at any rate, I am very frustrated in dealing with the U.S. Congress in that I cannot get an acknowledgement that the concerns of Japanese legislators are at least admissible. I understand yours very well, and I think we do represent the Congress, both the House and the Senate, and their ideas very well. But I cannot get anyone to acknowledge at least that the Japaese have a shipbuilding industry. They have concerns as well.

There are pressures on their side, for instance, to do the FSX aircraft indigenously—a major battle on their side. Their problem is to make a decision on co-development.

Senator JOHNSTON. Well, they are under a lot of pressure to keep their defense spending down at one percent of GNP. Listen, if we had our defense spending down at one percent of GNP and had Japanese forces stationed over here protecting our borders and everything, we would be in wonderful shape. Our economy would be booming.

Mr. ARMITAGE. I would hate to have Japanese forces over here protecting our borders.

Senator JOHNSTON. Well, obviously that is out of the question, but the point is that we are paying for their defense so that they can maintain a $60 billion trade deficit and it is not proper burden-sharing. I can say that we should negotiate a better deal.

KOREAN CIVILIAN SUPPORT OF U.S. FORCES

Now, while we are on the subject of negotiation, there are currently about 26,000 civilian workers, mostly Korean, supporting about 43,000 of our troops over in Korea. That is a ratio of 1.7 civilian workers per soldier. That is more than three-to-one greater than in NATO. Why are so many more civilian workers needed to support our Korean-based troops compared with those needed to support our NATO forces?

General MENETREY. Let me talk about Korea. I do not know whether I can talk about the comparison between NATO and Korea.

As you know, this year we have about a 17-percent cut in our operations and maintenance accounts versus last year. We are in the process of RIFing—that is, firing—some of the Korean work force, partly as a result of that. I anticipate that we will make further efforts to decrease that work force and to use more labor-saving devices, because the cost of labor is going up in Korea, not only with the won appreciation, but also with the standard of living and all other indicators.

We anticipate, through using local wage and benefit surveys and other mechanisms, that labor costs will go up another 10 percent and perhaps more this year.

Senator JOHNSTON. Well, on that subject, General, in 1987 they received, those civilians, a 7.2 percent pay increase. In 1988 they are projected to receive a 10 to 15 percent pay increase, whereas U.S. civilians, both in Korea and here in the United States, received only a 2 percent increase.

Why should the U.S. Congress approve a higher cost-of-living increase for Koreans than is provided for U.S. citizens working in Korea?

General MENETREY. That is a very good question. Our process for paying the Korean civilian national work force is one that is established by U.S. regulation and law, which means that we take surveys of the comparable private sector and apply to our wage rate. We do that once a year.

Last year, if you recall, August was a time of labor unrest in Korea, and as a result we took a survey at that time. The result was that last 7.2 percent pay increase.

So, to answer your question, sir, the cost of labor in Korea is still significantly less than it would be in the United States, and when we talk about things like construction we have to remember this. And labor rates for Korean nationals are significantly less than they are for U.S. nationals in Korea.

At the same time, their economy is growing, their standard of living is going up, and their wage rates in the private sector are going up. Ours reflect that. We have to be competitive.

Senator JOHNSTON. Now the won is going up as against the dollar and thereby the same number of dollars will not purchase nearly as much in Korea this year. I think you are asking for incremental dollars to do that.

Secretary Armitage, you and Secretary Carlucci or Taft are going over there to negotiate. It seems to me that part of that negotiation ought to be that the Koreans for starters ought to pay that difference in cost of the won, and that they ought to pay this difference in cost in labor, considering the figures I just gave you on our greater percent of GNP and the fact that we are, after all, defending them, and the trade deficit and all those things.

Now, you are going over to negotiate?

Mr. ARMITAGE. No. We are not going to negotiate. We are going to Korea for the 20th Security Consultative Meeting. Part of those discussions will be on the costsharing issue, and I think we are going to be able to report some positive movement to you.

Senator JOHNSTON. Would you please relay to them, first of all, the deep affection and respect of the United States Congress in general, and me in particular, but, secondly, to say that if you all do not do something about this, we will, because the burden-sharing is not fair, in my judgment and the judgment of a lot of people here.

That is what that trade bill was all about. I mean, you cannot keep vetoing trade bills forever and saying everything is just fine and everything is going on great. I mean, we are paying for a disproportionate share of the defense of the Pacific Rim, in fact of the world, in my view, and it is going to stop. Believe me, it is going to stop.

You all may not have gotten the message, but the American people have. And the next president, even if it is George Bush, is in my view not going to be able to keep up this disproportionate amount. I wish when you talk to our Korean friends—and they are our friends; I do not mean that in anything but the most deadly serious way—I mean that—that they also ought to get the message.

We ought to begin to do those things by agreement and voluntarily, rather than Congress in its hamhanded way—inefficient—just bam, passing a law and saying you have got to do this. It is much too peremptory. It is unbecoming for two great powers to deal with one another like that. We ought to do it by negotiation.

But our negotiators need to know what those bottom lines are back here in Congress.

Mr. ARMITAGE. You are exactly right. They should understand the bottom line of the Congress. I would hope, though, that the administration of President Bush and all those who serve in it would be able not only to understand this but also to articulate back to the Congress, perhaps in a better fashion than we have done, not just that there needs to be a better sharing of the burdens, which we all agree, but in addition, that it is not necessarily going to come out equal.

Senator JOHNSTON. Well, you see, we are kind of like Evangeline waiting under that oak. We wait and wait and wait, and our lover never comes home. The good news never comes from Japan or Korea. The burden is still unequal.

Mr. ARMITAGE. You are waiting under the wrong oak as far as I am concerned, because for the last seven and a half years I can point—anyone can point—to positive movement in exactly the direction you want.

Now I know Mark Twain, just as you do: you can get run over even though you are on the right track, if you are not going fast enough. But to say that you are waiting and the train is never coming would be wrong. It is not factually correct.

Senator JOHNSTON. Well, I wait with great anticipation Secretary Carlucci's return from Korea.

Mr. ARMITAGE. I am afraid I might have set him up a bit.

Senator JOHNSTON. I hope he will bring back the good news. And I hope our Japanese friends will understand why they ought to purchase the Aegis, the total machine, over here instead of building it in Japan, because I would think the Congress is going to act on that. Maybe the Senate first.

Mr. ARMITAGE. I take the message. I think it would be a terrible mistake, and the result would be what I predicted.

Senator JOHNSTON. It would be a lot better for you all to negotiate that.

General MENETREY. Could I comment on something you said, sir?

Senator JOHNSTON. Yes.

General MENETREY. I am not here to apologize for anybody, but sometimes I think we have to keep things in perspective. We have a shared security issue in that part of the world, and how we can each best contribute to that shared security is, I think, the real subject.

For example, in the United States we have about 1.5 percent of our population either in the active reserve or in the regular force. The Koreans have 12 percent. They have over the course of the last years, if you compare them to other countries, done quite well both in support of U.S. servicemen and women in the country, and in support of their own defense.

Have they done enough? That is a good question. We are asking for them to do more, and I participate in asking, which they are quite aware of. But we have to keep the issue in perspective: it is a shared security issue in that area, not just a Korean issue, not just a Japanese issue, but a U.S. issue as well. Second, we have to look at the trends of what they are doing and compare them to others.

It is difficult to compare Korea, with a $100 billion economy, to Japan, with a $2 trillion economy. It is just an apples-and-oranges kind of comparison. But, in any event, there are aspects of burden-sharing other than just monetary ones.

Senator JOHNSTON. Obviously, General, those are very legitimate concerns, and I share those concerns. But the bottom line is, why should a country who is on the first line of defense, looking across that border—and I have been up there and I know how short it is—with twice as big a population and $10 billion trade surplus with the United States and seven times as big a GNP and all of those things, why should they not be doing at least proportionately as much as the United States is doing?

And that is an unanswerable question. To me they are more under the gun than we and ought to be doing really more than we, not less.

Dr. SIGUR. May I comment? In terms of the broad discussion that has taken place here this morning, I think that in regard to American forces, we must push the cost-sharing, burden sharing issue. I do not have any doubts about that. I think we do need greater support from our friends in the region. On this, we here are fully agreed.

At the same time, however, I think we do have to look at our policy in light of the fact that, under several administrations, we have been able to fundamentally keep the peace in East Asia and the Pacific. We have done this, I think, by having everybody understand that the United States is there to stay, that our commitments are legitimate, real and honest; and that we are going to hold to them regardless of our domestic politics because our policy is fundamentally a bipartisan agreement and arrangement, Regardless of who is our next President, we are going to stay in the region.

I think we must be very careful when pursuing the issue of burden-sharing. We must avoid giving anyone the wrong impression, such as that we may be thinking about shifting our policy. The mainstay of the United States support is absolutely critical to the region's confidence, and to its economic growth. It is also vital to the expansion of political rights, among other things.

It is all terribly important to us, and I think no less so to the Soviet Union. The Soviet Union is watching us carefully. We all see Mr. Gorbachev expanding his interests and those of the Soviet Union in the region. Now is the time for the United States to hold firm.

All I am suggesting is that, as we move forward on this process of cost-sharing and burden sharing—which I agree with you is quite legitimate—we must at the same time make it very clear that the United States stands tall, and that we will remain there. We are not pulling out. Rather, what we are talking about, in fact, is that we want to work more closely with the region.

Senator JOHNSTON. Thank you, Mr. Chairman.

Chairman STENNIS. Thank you, Senator.

Senator Cochran, do you have something more?

Senator COCHRAN. Let me just, Mr. Chairman, with your permission, following up the comments that were just made by the witness, I think that is a very eloquent statement of U.S. policy and that the committee here this morning confirms and ratifies that policy.

I do not think the discussion, even though I was not here for all of it, should be interpreted by anybody as any indication of diminution of commitment to cooperative defense efforts in the Pacific Rim. Wherever we are now, we want to stay, and stay as a force peacefully, but a force nonetheless. So I do not think anyone should misconstrue the discussions about burden-sharing or selling a ship with or without a fire control system to our friends in Japan. We want to be treated fairly by them, though. I think that is the message that we want to send out from this hearing today. We want to be treated fairly as well.

Thank you, Mr. Chairman.

Chairman STENNIS. Gentlemen, I want to endorse the sentiments of Senator Cochran's statement. I think there is no doubt about the correctness of it. The accounting day is ahead. You know, changes come about. We have pending up here on the Hill now an almost-completed trade bill with far-reaching consequences, and there is tremendous need and demand for the bill in a modified form, which I hope has been reached now.

But this is a new start and a new day and a different approach that we are being driven to. As I said, I endorse what Senator Cochran has said. We know there is no animosity here, nobody trying to get even with someone else, not thinking in terms of running out on anyone. In many ways, we are a big family all together. We have done pretty well the last 40 years.

I think that the future is going to be available for those countries that try hard and work hard and have open hands, and that is true with us, too. Everyone has to hustle these days to keep up. It is not a matter of getting ahead of everything, but keeping up, improving as we go along.

Well, I want to thank you for the entire Committee and also for myself. Do you have anything further?

Senator JOHNSTON. No, sir.

Chairman STENNIS. All right. You have said that you would tend to these papers here that were put in by other Senators. I do not know just when we will bring this up, but it is not going to linger too long. We are going to get to these matters as soon as we can. There has got to be a whole line of appropriations bills passed to keep the whole budget from walking off on its walkers to get control of it that way. So we are going to be stirring things up and get the bills moving as much as we can, and I think we will move them.

Well, we are certainly thankful for your testimony. I was impressed with it. We may run across some questions that other have, and we will take the liberty of writing them out and sending them to you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY CHAIRMAN STENNIS

LABOR COST SAVING MEASURES

QUESTION: Secretary Armitage, can you provide this Subcommittee with a specific schedule of reductions of personnel and other labor cost saving measures along with the associated dollar savings in each fiscal year between FY 88 and FY 94?

ANSWER: There are no data available on any scheduled military or civilian personnel reductions over the next six years, or on labor cost saving measures beyond the Japanese assurances of nearly $120 million in additional support for local labor costs by Japanese Fiscal Year 1990. Nonetheless, we expect Japanese support for U.S. Forces to continue to increase steadily in the 1990's.

U.S. MILITARY UNITS, LOCATIONS, AND WEAPONRY

QUESTION: Secretary Armitage, please provide a list of Army, Marine Corps and Navy units in Japan and South Korea, by location, and their weapons system inventories. Please include ships homeported in Japan.

ANSWER: A general disposition of U.S. Army, Navy, Air Force, and Marine Corps units in the Western Pacific will be shown in a series of charts to be furnished to the Committee upon completion.

The naval units homeported in Japan are as follows:

Yokuska: Midway, Reeves, Oldendorf, Cochrane, Knox, Kirk, Hammond, and Blue Ridge.

Sasebo: San Bernardino, Dubuque, St. Louis, Beaufort, Darter and Barbel.

Atsugi: Midway Airwing (CVW-5), VA-185, VA-115, VFA-151, VFA-193, VFA-105, VAQ-136, VAW-115, and H5-12.

With specific regard to our Forces in the Republic of Korea, we have 120 individual installations dispersed throughout South Korean territory. These installations range in size from small, single detachment radar, logistics, and support facilities, with no weapons on site, to large compounds such as Camp Casey, Headquarters, 2d Infantry Division; Yongsan, Headquarters, Combined Forces Command; and Kunsan, with two F-16 fighter squadrons.

To address the capabilities portion of your question, those installations which contain the bulk of our combat power are described below. It should be noted that much of the 2d Infantry Division is dispersed in relatively small battalion- and brigade-size compounds, as are units in Europe.

The preponderance of the 2d Infantry Division is positioned 15 to 18 miles north of Seoul. The headquarters of the division is located at Camp Casey, near the city of Tongduchon. Several combat battalions are resident on this post, as are most of the Aviation Brigade and most of the Division's logistics support assets. Other combat battalions are stationed at Camp Hovey, a few miles south and east of Camp Casey. Camp Stanley, home of the 2d Infantry Division Artillery Headquarters and many of its subordinate artillery battalions, is near the city of Uijongbu.

Our Air Force assets are considerably more concentrated. Osan Air Base, located approximately 40 miles south of Seoul, is the headquarters of the U.S. 7th Air Force. This facility provides combined command and control of both ROK and U.S. Air Force assets as well as an operational and strategic intelligence capability to support our combat operations. Also located at Osan is half a squadron of F-4E aircraft which will be replaced by F-16 C/D aircraft during FY 89. Another half squadron of F-4's is located at Taegu Air Base in central South Korea. The bulk of our combat aircraft are stationed at Kunsan Air Base on the southwest coast of the Republic. Kunsan is home for two squadrons of F-16 C/D fighter aircraft. The F-16 is a versatile multipurpose airframe which provides air-to-air and air-to-ground combat capabilities essential to combat operations on the Korean Peninsula.

Our primary ground attack air asset, one squadron of A-10's, is located at Suwon Air Base, about 20 miles south of Seoul. This weapons platform augments and complements our attack helicopter battalions in their anti-armor mission.

Naval facilities located on the peninsula are small logistics facilities which support transient U.S. Navy vessels. We have no ships permanently assigned or homeported in the Republic.

CHANGING ROLE OF U.S. FORCES IN KOREA

QUESTION: General Menetrey, your statement indicates that it is time for the U.S. policies for the Republic of Korea to change. You imply that U.S. forces could shift from a principal role of defending the Korean Peninsula, to countering Soviet presence through a regional defense role.

---Does this mean that as the Republic of Korea becomes more and more capable of defense that U.S. troops would remain in Korea, but assume new missions?

---Would you foresee the same balance of U.S. ground troops, and air power, or would you predict a restructuring of U.S. forces for this regional mission?

---What changes do you foresee for the command relationship? Is it likely that one day a South Korean will hold your position as commander of U.N. forces?

ANSWER: The relationship between the U.S. and the Republic of Korea (ROK) must be viewed in all of its aspects, including defense, political, and economic associations. The Republic is a mature and sovereign nation of increasing military, political, and economic power. We, both as a nation and as a government, must recognize this fact and adapt to this change.

Militarily, the ROK is approaching a level of capability to successfully deter war with the North. ROK officials asserted during the recently concluded 20th Security Consultative Meeting that U.S. presence on the peninsula will be necessary for deterrence until early in the next century. As a caveat to this, however, the ROK government feels that they will be capable of a regional role, in alliance with the U.S., in support of our combined security interests by that time.

DoD does not advocating an immediate or precipitous reduction in U.S. military presence in the ROK, but quite the contrary. Our continued presence is essential to the maintenance of peace both on the Korean Peninsula and in the northwest Pacific region as a whole.

The leadership of the Republic recognize, as we do, the ominous threat to the region posed by the Soviet Union. They see that threat daily, as they observe the qualitative improvements made by their northern enemy as a beneficiary of Soviet support.

How the relationship between our two countries will change, and what the resultant U.S. force structure will be, are dependent on our collective assessment of the threat. Those judgments must be subjects of study by our Joint Chiefs of Staff planners. In any case, we must look to the future so that proper and effective planning can be accomplished.

U.S. forces are involved in three major commands in Korea. These commands are the ROK/U.S. Combined Forces Command (CFC), U.S. Forces, Korea (USFK), and the United Nations Command (UNC). The ROK/U.S. Combined Forces Command is a bilateral organization which exercises operational control (OPCON) over the bulk of the ROK combat forces during the Armistice. CFC would gain additional ROK and U.S. forces should hostilities again occur. This command is being studied to determine if any changes in structure or procedures will be required to meet the challenges of the 1990's. It is conceivable that a ROK officer may command CFC in the future, but not while only a military armistice enforced by the United Nations Command is in effect.

US Forces, Korea, a subordinate unified command of the U.S. Pacific Command, has the mission of representing U.S. military interests in Korea and providing forces and support to both the UNC and CFC. USFK provides the joint interface for coordination of the services' efforts in the Republic. As Commander, USFK, I am the U.S. Commander in Chief Pacific (CINCPAC)'s "man on the ground" for daily oversight of U.S. interests in the ROK. As long as we maintain U.S. forces in the Republic of Korea, a joint U.S. command will be necessary to coordinate and orchestrate unilateral U.S. military operations on the peninsula.

The United Nations Command, formed during the Korean conflict, is an international armed force which serves as the vehicle for third-country, UNC member-nation participation in Armistice maintenance operations in Korea. The UNC must remain as a separate legal entity so long as the Armistice Agreement continues as the primary instrument of peace on the Korean Peninsula. The U.N. declaration establishing the UNC appoints the United States as the executor of the charter, therefore eliminating the possibility of transference of command to a ROK officer.

Replacement of the Armistice Agreement with a political agreement to terminate hostilities would allow the disestablishment of the UNC. Until that time, command of the UNC must remain a U.S. responsibility.

INCREASE IN U.S. TROOP STRENGTH IN KOREA

QUESTION: General Menetrey, according to Department of Defense data, since 1980, U.S. active duty military forces have increased by 5,900 end strength in Korea. Direct hire U.S. citizens have increased by 1,100 end strength, an increase of 80 percent. Much of these increases occurred since 1983.

---What would be the impact if the Congress required military and civilian force levels to return to 1983 levels?

ANSWER: As I indicated in my previous testimony, end strength increases since 1983, both civilian and military, are the results of programmed force structure improvements designed to eliminate deficiencies in our ability to make the transition to war. Additional manpower spaces have been made use of through activation of new units that enhance combat power, combat sustainability, and command and control. These additions are essential to align U.S. forces with evolutionary changes being made throughout service branch structures, and to enhance our deterrent capabilities on the peninsula. Many of the force structure changes which have required additional manning are the direct result of force modernization programs.

If the Congress were to decide to reduce our personnel end strength to 1983 levels, which reflected the end of a long period of force structure decline and reorganization, the impact would be severe. The force structure changes which have occurred since 1983 have been in response to North Korean force structure improvements and force modernization efforts. To reduce our end strength would seriously weaken our ability to deter war on the peninsula. The force structure improvements are essential for a smooth transition to war, the introduction of additional U.S. forces in the Republic should the need arise, and the improvement of combat sustainability. The 2nd Infantry Division is currently organized at Authorized Level of Organization (ALO) 2. It requires 2200 ROK Army augmentees to achieve ALO 1 (full manning level). Manpower reductions to 1983 levels would have a grave impact on its combat readiness and would seriously degrade our combat and deterrent capability, depending, to an extent, on how they were mandated.

DEVALUATION OF THE DOLLAR---BURDENSHARING

QUESTION: Secretary Armitage, General Menetrey's statement clearly indicates the impact that the falling dollar is having on our military forces overseas. Just the difference between the foreign exchange rates in the Department's budget and current rates will require another $400 million for operations and station allowances in Korea and Japan. Since 1987, it is costing U.S. taxpayers an additional $2.5 billion to station troops overseas.

Now we don't want to downplay your efforts to get more burdensharing from Japan and Korea, but, it seems that the contributions we are seeking are paled by the additional costs U.S. taxpayers are asked to shoulder because of the decline of the dollar overseas.

---Secretary Armitage, why don't we request our allies to finance additional costs in stationing our troops overseas that are caused by devaluation of the dollar? Wouldn't this result in higher burdensharing contributions than those you are currently requesting?

ANSWER: Japan and Korea contribute more to the maintenance of U.S. forces stationed in their respective countries than any other allies in the world. That said, we continue to ask for increasing burdensharing from them.

Japan, especially, has recognized the impact of the devalued dollar, and has been receptive to requests by the U.S. for increased contributions. Within the constraints of Japan's own legislative process and the sensitivities of its neighbors over increased Japanese defense spending, under which burdensharing ultimately falls, Japan continues to increase its contribution toward the maintenance of U.S. forces stationed there.

In the Republic of Korea, the devaluation of the dollar has certainly added to our costs, and we agree that areas such as these should be investigated. We must recognize the already significant contribution that the Republic already makes in support of U.S. forces and in its commitment to its own defense. In 1987, the citizens of the Republic invested 6 percent of their per capita income of $2,150 for the defense of their nation. The West Germans, by comparison, spent only 4 percent of their per capita income of $10,940, while the Japanese invested 2 percent of their $11,300 income for defense. Additionally, the Republic has approximately 12 percent of its population under arms (regular and active reserve) as compared to the U.S. and Germany, which have 2 percent or less of their populations serving in the military.

TOUR LENGTH IN KOREA

QUESTION: General Menetrey, in Europe the Army has 8 dependents for every 10 soldiers while in Korea there are only 3 dependents for every 10 soldiers.

---Doesn't this mean that shorter tours are an effective way to hold down the number of dependents overseas?

---Doesn't the absence of dependents in Korea enhance the Second Division's ability to fight because you will have fewer dependents to evacuate than is the case in Europe?

ANSWER: If all our personnel were on one-year unaccompanied tours, your assertion would in all likelihood be correct; however, our experience indicates the contrary. Congress has never approved accompanied tours to Korea. Even though we have a significantly lower servicemember-to-dependent ratio in Korea than in Europe, we pay the price in stability and continuity within the command. Personnel assigned to our unaccompanied billets serve only a one-year tour, because the Republic of Korea has been classified as a hardship tour since the end of the Korean conflict. In 1973, Congress granted authority for families to accompany key and essential personnel, who are assigned to the command for two years. These essential billets provide for continuity, which directly improves our force readiness posture.

We had 10,113 command-sponsored dependents in the Republic as of 31 March 1988. An additional 10,031 non-command sponsored dependents were also on station as of that date. Our studies indicate that non-command sponsorship is not a deterrent to families who do not wish to be separated even for a one-year period. Our command sponsored dependents are quartered in Seoul and south. The 2d Infantry Division, located 20 miles north, has only those non-command-sponsored dependents who choose to live in the local area. We have no plans to allow dependents to live in Camp Casey or other 2d Infantry Division area, so no degradation of the Division's combat capabilities is anticipated.

JAPANESE LABOR COSTS

QUESTION: Secretary Armitage, your statement indicates that the Japanese are prepared to provide another $100 million in local labor costs by 1990.

---Could you provide more details on this issue? Does this mean that the Japanese will be funding half of the pay for Japanese citizens working in support of our forces?

--- When is this agreement scheduled to go into effect?

ANSWER: Government of Japan (GOJ) officials have given oral assurances that for Japanese Fiscal Year 1990 (starting April 1, 1990) the GOJ will pay all allowances granted to Japanese employees of the U.S. Forces -- an increase of some $120 million over the amount paid by the GOJ since April 1. 1988, which covered 50 percent of allowances.

The basic pay of the Japanese workforce, amounting to about 51 percent of the workers' total compensation, has been a U.S.-funded obligation, and will remain so until 1990. It is possible that the GOJ will consider ways to assume responsibility for part or all of basic pay in the 1990's, but it feels at present that there is no legal mechanism for doing so.

POLITICAL UNREST IN KOREA

QUESTION: General Menetrey, has the political unrest caused problems for U.S. troops in South Korea?

ANSWER: At this time, no difficulties have been experienced by our soldiers or their families. Our Status of Forces Agreement (SOFA) with the Republic of Korea explicitly prohibits U.S. military personnel from taking part in any political activity in the Republic. We actively reinforce this prohibition through radio, television, and the print media. There are no restrictions on movement of U.S. personnel in Korea, and, so far, there has been no increase in incidents involving civilians.

Political Protests in Korea

QUESTION: Could you please describe what impact the current political unrest in Korea will have, if any, on our long-term presence in that Nation? Press reports show a clear anti-American tone to the protests. Why is this, and how substantial are these groups?

ANSWER: "Political unrest" is a misleading term, I think. Korea has had successful presidential and National Assembly elections and opened a new era of democratization. The political prognosis is very positive.

We have seen some student protests recently -- demonstrations have long been a regular feature of campus life in Korea. Because there are over a million college students, a small minority can produce a confrontation with police that gets on the news but is hardly representative of all students.

Anti-American slogans have been a feature of protests. As in many other countries, people criticize various of our policies, past and present. Our market-opening requests, for example, have struck some very sensitive areas of the Korean body politic. But when you look back on the last forty years of our relationship with Korea, you see that our two nations have taken on some tough problems and worked them out to our mutual benefit. We should keep reports from Korea in perspective. Korea is a freer country than it has been, so issues are debated more openly than they have been before. Because of our close ties, many issues involve our policy. Free discussion -- even when it is critical -- is natural and good.

On one point, we should be clear. Both government and opposition parties, and the vast majority of Koreans, support our alliance. They understand that the close security relationship is a cornerstone of our mutual prosperity.

1988 OLYMPICS

QUESTION: Secretary Armitage, we understand that Secretary Carlucci will lead a U.S. delegation to Seoul in June to discuss U.S. support for the 1988 Olympics. The CBS program "Sixty Minutes" reported recently that the U.S. would deploy a carrier task force during the games.

---Could you please explain the additional U.S. forces that will be deployed to South Korea prior to and during the games?

ANSWER: Increased U.S. military presence to deter hostile North Korean intentions will in fact be in effect prior to and during the Olympic period, as it did during the 1986 Asian Games. Our level of support will be similar to that provided during the 1986 Asian Games. For the most part, this support represents additional training opportunities for U.S. forces. It does not represent any significant additional cost.

BURDENSHARING: COST OF LIVING INCREASES

QUESTION: Secretary Armitage, when discussing burdensharing, foreign national pay is an area the Department should be targeting. Why can't the Department ensure that any cost of living increase above that provided to U.S. citizens is borne by the host government?

ANSWER: Pay and benefits for foreign nationals employed by the U.S. Forces, in accordance with Section 408 of the Foreign Service Act of 1980, are based upon prevailing wage rates and compensation practices for corresponding types of positions in the foreign area of employment. State Department-sanctioned intergovernmental agreements would be needed in the event each country were required to bear costs of foreign national employee pay increases that exceeded those provided to U.S. citizens. In most countries, such a concession would not be granted without a significant quid pro quo.

QUESTIONS SUBMITTED BY SENATOR BYRD

BURDENSHARING BY JAPAN AND KOREA

QUESTION: With prospective cuts in defense spending, it would seem necessary for U.S. allies in the Pacific to take on a greater share of the defense burden for that region. Japan and South Korea have strong, growing economies, and each has a healthy trade surplus with the United States. Are there financial reasons that would prevent either Japan or South Korea from increasing defense spending or contributing more money to the maintenance of U.S. forces in their territory? How much does each of these countries contribute to the maintenance of U.S. forces? What is the relationship between indirect contributions, such as free telephone service, and direct spending? What percentage of the total cost of maintaining U.S. forces does each government provide? How would the opposition parties' victory in parliamentary elections affect South Korea's attitude on this?

ANSWER: Clearly, in our opinion, Japan and Korea can contribute more to the maintenance of U.S. forces in their territory. It is the judgment of these sovereign nations, based on their own competing internal interests, that will determine the allocation of their resources. In 1987, Japan contributed about $2.33 billion toward the maintenance of U.S. forces, while Korea contributed about $1.9 billion. These figures amounted to about 38 percent of the total cost of maintaining U.S. forces in Japan and 43 percent of maintaining them in Korea. The relationship between indirect contributions and direct spending means lost revenues to the host country. It should be noted that telephone service, and local taxes and tolls, for example, are paid for by the U.S. in some allied countries, but not in Japan or Korea.

There are no financial reasons as such that would prevent the

Republic of Korea from contributing more to the maintenance of U.S. forces stationed there. This is readily apparent from the recently concluded agreements signed by Minister of National Defense Oh Ja Bok and Secretary Carlucci during the 20th Security Consultative Meeting.

The ROK government contributed approximately $1.9 billion dollars in direct and indirect support of U.S. forces during 1987, as indicated below:

ROK SUPPORT FOR U.S. FORCES KOREA
($ million)

	Indirect	Direct
Real Estate	$ 1,050.0	$ 150.0
Personnel (KATUSA, local employees, security guards, ROK military personnel assigned to CFC and CFA HQ)	400.7	7.4
Operating & Maintenance Funds (JUSMAG-K, CFC HQ cost sharing, training area mgmt--sea range)		6.6
Combined Defense Improvement Projects Program (CDIP)--14 projects		34.2
Logistics (ammo storage, petroleum services)	95.5	67.0
ROK Facilities (training areas, ranges, air traffic control, TPIC)		21.9
Tax and Other Exemption Benefits	72.3	0.5
TOTAL	$ 1,618.5	$ 287.6

Our best estimate is that the cost of stationing troops in the Republic of Korea is approximately $2.5 billion per year, as previously mentioned. The Koreans estimate that their contribution of indirect and direct financial support is $1.9 billion, bringing the total for U.S. forces stationed in Korea to $4.4 billion a year. The ROK government, therefore, provides just over 43 percent of our financial support.

The Republic is undergoing a complex and difficult transition in its nation-building process. The recently elected National Assembly is well-balanced in its mix of the various political parties which represent the country's population. The new political power structure will require time to mature and define its personality. For the near term, DoD expects little change in the ROK government's approach or support for our military presence there.

ROK ANTI-SOVIET DEFENSE RESPONSIBILITIES

QUESTION: I understand that South Korea is reluctant to undertake any military responsibilities in anti-Soviet defense. Is this true and if so, what are Seoul's reasons? Is this issue high on the agenda of our defense discussions with South Korea?

ANSWER: The Republic of Korea is not in any way reluctant to stand against the Soviet threat posed in the region. The Koreans clearly recognize that the threat to their security reaches beyond their aggressive northern neighbor. Without Soviet support, it is unlikely that the North, with its poor economic performance and equally bleak future, could mount the serious military modernization described in today's testimony. Our Korean ally, however, must continue to focus its attention toward the immediate threat, and concentrate on its Olympic responsibilities.

Regarding our priority for discussing the Soviet situation with the Republic, the subject was one of our primary issues for the 20th Security Consultative Meeting held last week.

JAPANESE DEFENSE SPENDING

QUESTION: How does total U.S. defense spending for the Western Pacific compare with Japan's defense spending? What is the current state of Japanese public opinion with regard to defense spending?

ANSWER: Japan's defense spending was about $30 billion in 1987, including their entire support structure, and is larger than the U.S. expenditure in that area. The U.S. defense commitment in the entire Pacific may be viewed in terms of the 372,000 personnel, or roughly 16 percent of our defense structure. This simplification ignores significant differences in force values, budgetary obligations, and the global responsibilities of U.S. Forces. Regarding Japanese public opinion, the 1988 Japanese Prime Minister's Defense Survey shows 11.2 percent in favor of increasing Japanese defense spending. Fifty-eight percent feel that defense spending is good at the present level. These figures are not unusual for Western democracies.

WITHDRAWAL OF U.S. UNITS FROM JAPAN AND KOREA

QUESTION: Some U.S. experts argue that the United States could save a lot of money by withdrawing key military units from Japan and South Korea and demobilizing them. Are you considering this in regard to any of our major units in these countries? What U.S. units could be replaced now by Japanese or South Korean units? What military value does the Second Infantry Division actually have in Korea?

ANSWER: No, we are not considering any withdrawal of major units from Japan or South Korea other than normal modernization initiatives such as replacing older-model fighters with newer aircraft.

Although the Japanese Self Defense Force and the South Korean military forces have improved their force structure and military capabilities over the past several years, they both still need the presence and support of U.S. forces in defending their own territory. Within this context, there are no Japanese or South Korean units that could replace U.S. units now.

We are very interested in the defense forces of Korea and Japan increasing their capabilities, but not for the purpose of replacing U.S. forces to be brought home. Instead, stronger and more independent allies, capable of defending themselves, will allow us to reorient our forward-deployed forces to focus on a broader regional or theater-wide contingency role.

This entire question involves major Department of Defense policy decisions related to our national goals regarding the Republic of Korea and the northeast Asia region as a whole. While it is true that deactivating major units in the Pacific would save money, elimination of any major unit anywhere else would accomplish the same end. Moreover, any significant degradation in our role on the Korean peninsula would have psychological, political and, perhaps, military repercussions which may defy measurement or predictability, but are, nonetheless, important and necessary to consider at all times. If, for example, a cost-saving reduction of US forces resulted in an outbreak of hostilities sometime later, the ultimate price tag in American blood and treasure could be far higher than our present level of investment in deterrence. Again, it is important to emphasize that we would first be constrained to review, with the greatest care, our national goals regarding the region and the risks we wish to assume before considering any policy changes of this nature.

We have only one major combat unit in the Republic of Korea, the 2d Infantry Division. As as been mentioned in testimony today, the 2d Division serves as an indication of our resolve to support the Republic of Korea and our other allies in the northern Pacific region. This statement is in no way meant to diminish the fact that the Division is a militarily necessary component of our presence in the Republic, as it is a key part of our combined deterrence of the North. Its presence is required, moreover, so that we may fulfil our responsibilities as the executor of the United Nations Charter and our commitment under the 1954 Mutual Defense Treaty with the Republic.

SUBCOMMITTEE RECESS

Chairman STENNIS. If there is nothing more, with the warm thanks of the entire Committee we will take a recess subject to the call of the Chair. Thank you very much.

[Whereupon, at 11:50 a.m., Thursday, May 26, the subcommittee was recessed, to reconvene at the call of the Chair.]

LIST OF WITNESSES AND PREPARED STATEMENTS

Page

Armitage, Richard L., Assistant Secretary of Defense (International Security Affairs) 389
  Prepared statement 394

Beam, Dr. Walter R., Chairman, Defense Research and Development Committee, Institute of Electrical and Electronics Engineers, Inc 2
  Prepared statement 6
Blaylock, Kenneth T., National President, American Federation of Government Employees 180
  Prepared statement 184
Brown, Harold, Former Secretary of Defense, and Chairman, Johns Hopkins Foreign Policy Institute, School of Advanced International Studies 367
Buesner, Capt. Charles A., USNR (Ret.), Director of Legislation, Naval Reserve Association 14
  Prepared statement 18
Burmeister, William, Committee on American Ammunition Manufacturers 162
  Prepared statement 165

Carlucci, Hon. Frank C., Secretary of Defense 243
  Prepared statement 250
Chapman, John, Executive Assistant, Association of Civilian Technicians 216
Collins, T. Byron, S.J., Special Assistant to the President, Georgetown University, prepared statement 235

D'Amato, Hon. Alfonse, U.S. Senator from New York, prepared statements 40, 277, 379

Egan, James H., M.D., Chairman, Department of Psychiatry, Childrens Hospital National Medical Center, and member, APA Committee on Quality Assurance, on behalf of the American Psychiatric Association 137
  Prepared statement 139

Herres, Gen. Robert T., USAF, Vice Chairman, Joint Chiefs of Staff 243, 260
  Prepared statement 261
Hickey, Charles, National Association of Government Employees, prepared statement 236

Page

Hickey, Sydney Tally, Director, Government Relations, National Military Family Association---------- 147
Prepared statement---------- 150
Howard, Lauren R., Legal Counsel, Committee of American Ammunition Manufacturers---------- 162
Hubbard, James, Deputy Director, National Security Commission, The American Legion---------- 103
Joint prepared statement---------- 106
Hultman, Maj. Gen. Evan L., AUS (Ret.), Executive Director, Reserve Officers Association of the United States---------- 41
Prepared statement---------- 45
Hunter, John T., President, Association of Civilian Technicians- 216
Prepared statement---------- 219

Johnson, Gen. Robert, National Guard Association of the United States---------- 62

Kokinda, Ronald, National Democratic Policy Committee, prepared statement---------- 240
Kreisberg, Steven, Director, Field Operations, National Federation of Federal Employees---------- 209
Prepared statement---------- 212
Krone, Dr. Norris J., Public Policy Committee, American Institute of Aeronautics and Astronautics---------- 199
Prepared statement---------- 201

McKinney, Sgt. Maj. C. A. Mack, USMC (Ret.), Legislative Counsel, Non-Commissioned Officers Association of America---------- 170
Prepared statement---------- 172
Menetrey, Gen. Louis C., USA, Commander, U.S. Forces in Korea--- 402
Prepared statement---------- 405

Sigur, Dr. Gaston, Assistant Secretary of State for East Asian and Pacific Affairs---------- 414
Prepared statement---------- 418
Slavitt, Joshua J., Assistant Legislative Director, U.S. Defense Committee---------- 83
Prepared statement---------- 87
Stennis, Hon. John C., U.S. Senator from Mississippi, prepared statement by---------- 390

Taft, William Howard, IV, Deputy Assistant Secretary of Defense, prepared statement---------- 424

Walsh, Samuel J., Assistant Director, National Legislative Commission, The American Legion---------- 103
Prepared statement---------- 106
Weber, Lt. Gen. LaVern E., Executive Director, National Guard Association of the United States---------- 62
Prepared statement---------- 65
Weicker, Hon. Lowell, U.S. Senator from Connecticut, prepared statement---------- 295
Welsh, Capt. Ken, President, Naval Reserve Association---------- 14

SUBJECT INDEX

FISCAL YEAR 1989 BUDGET WRAP-UP

Page

Accidental launch possibilities 282
AH-64 Apache helicopter 299
Budget, predictability and stability of 314
Budget summit figure 245
Burdensharing 246, 313
Carrier battle groups 289
Civilian furloughs 302
Competitive strategic initiative 283
Defense savings priorities 294
Force structure 246
Guard and Reserve responsibilities 290
Illegal drug threat 278, 280, 286, 296, 304
INF Treaty 312
Korea, North/South military strengths in 305
Military pay raise 289
Military preparedness 308
Nitze cost effectiveness test 282
Panama, situation in 308
Personnel levels 246, 301
Posse comitatus 303
Procurement programs 247, 299
Quality of personnel 291
Readiness 246
Real growth in BA, 1970-1989, chart on 248
Reprogramming request 307
Smart weapons technology 284
Soviet Union:
  Doctrine on defense and reasonable sufficiency 292
  Economy, effect of military spending on 293
  Forward deployment of 292
  Untied loans 287
Strategic Defense Initiative:
  Development and deployment, cost of 281
  Science and Review Board, evaluation by 280
Training objectives 298
Unauthorized appropriations 300
Unfunded supplementals 306
Unmanned aerial vehicles 286
Untied loans 287
Zero growth in BA, chart on 249

NONDEPARTMENTAL WITNESSES

Page

American Federation of Government Employees:
  Civilian technician Problems---------- 181
  Civilian technicians, uniform use by---------- 183
  Defense personnel policies---------- 180
  Federal employees, ststus of---------- 180
  Military education program---------- 182
  Monroney Amendment---------- 181
  Morale issue---------- 198
American Institute of Aeronautics and Astronautics:
  Aerospace sciences, promotion of---------- 199
  Competition---------- 200
  4.5, sources of funding for---------- 209
Association of Civilian Technicians:
  AGR recruiting---------- 217
  Retirement program---------- 218
  Technical programs, moreale in---------- 216
  Military deployment, use of civilian technicians on---------- 234
Committee of American Ammunition Manufacturers:
  Army ammunition appropriations---------- 162
  Budget requirements---------- 170
  CICA---------- 164
  Conventional forces---------- 163
  Defense industrial base---------- 163
Institute of Electrical and Electronics Engineers, Inc.:
  Advanced electronic materials---------- 3
  Electronic material research---------- 3
  Independent research and development---------- 4
  Review process---------- 4
  R&D program and policies---------- 2
  Technology base program---------- 2
National Guard Association of the United States:
  Army Guard---------- 63
  C-130A procurement---------- 81
  Equipment---------- 63
  Facilities---------- 64
  Force structure---------- 64
  Full-time manning---------- 63
  Manpower---------- 63
  Readiness---------- 62
  Strategic airlift assets---------- 82
National Federation of Federal Employees:
  Civilian technicians, military education for---------- 211
  Cost comparison studies---------- 209
  Cost overruns---------- 210
  Employee morale---------- 216
  Federal functions, contracting out---------- 209
National Military Family Association:
  Child care programs---------- 148
  Military families, burdens on---------- 147
  Quality of life programs---------- 147

Page
Naval Reserve Association:
  ASW problem---------- 17
  BP-68 crews---------- 16
  Equipment status---------- 15
  Naval Reserve air and surface, modernization of---------- 14
  P-3 procurement---------- 16
  Program modernization---------- 17
  Tactical air wings---------- 15
Non-Commissioned Officers Association of the United States:
  All-volunteer force---------- 170
  Non-nationals, separation pay to---------- 179
  Reenlistment bonuses---------- 179
Reserve Officers Association of the United States:
  Aircraft modernization---------- 61
  Air Force Reserve equipment---------- 43
  Force structure personnel---------- 42
  OMAR funding---------- 43
  Personnel---------- 42
  Reserve forces readiness---------- 41
The American Legion:
  Commissaries and medical care---------- 104
  Conventional forces funding---------- 104
  Defense policies, state of U.S.---------- 103
  Operations and Maintenance---------- 103
  Pay increase---------- 104
The American Psychiatric Association:
  Champus DRG system---------- 138
  Champus reform initiative---------- 137
  Residential treatment centers---------- 137
U.S. Defense Committee:
  Ballistic missile submarine force---------- 85
  Defense systems, status of---------- 83
  INF Treaty---------- 85
  Soviet nuclear forces, U.S. vulnerability to---------- 84
  Strategic bomber force---------- 84
  U.S. land-based deterrent---------- 84
  Weinberger/Carlucci budget differences---------- 102

STRATEGIC DEFENSE INITIATIVE

Accidental launch---------- 372
ALPS approach----------373, 376
Arms reduction---------- 374
Deterrence factor---------- 380
Dr. Harold Brown, commendation of---------- 367
Funding issues---------- 386
Hard point defense---------- 370
ICBM capabilities---------- 383
Leadership program---------- 378
Limited goals---------- 371
Micromanagement---------- 378
Phase One program----------371, 373
Phenomenology issue---------- 371
Policy issues---------- 369
Program views---------- 369

Page

Strategic Defense Initiative (Cont.)
  Research and development present funding levels----------372, 375
  Restructuring programs-- 382
  Space experiments-- 371
  Terrorist-initiated launch------------------------------------- 384
  Testing programs--- 386
  TRIAD system--- 381
  Unauthorized launch-- 377

SUBMITTED QUESTIONS

Byrd, Hon. Robert C., U.S. Senator from West Virginia---------331, 456
D'Amato, Hon. Alfonse, U.S. Senator from New York---------------- 361
DeConcini, Hon. Dennis, U.S. Senator from Arizona---------------- 351
Kasten, Hon. Robert, U.S. Senator from Wisconsin----------------- 359
Leahy, Hon. Patrick J., U.S. Senator from Vermont---------------- 349
McClure, Hon. James A., U.S. Senator from Idaho------------------ 358
Proxmire, Hon. William, U.S. Senator from Wisconsin-------------- 387
Rudman, Hon. Warren B., U.S. Senator from New Hampshire---------- 364
Stennis, Hon. John C., U.S. Senator from Mississippi----------316, 450
Weicker, Hon. Lowell, U.S. Senator from Connecticut-------------- 357

U.S. DEFENSE POSTURE IN PACIFIC RIM NATIONS

Burdensharing-- 391
East Asia and Pacific, defense posture in------------------------ 414
Japan:
  AEGIS fire control system-------------------------------------- 441
  Defense buildup-- 415
  Security considerations-- 415
  Soviet bloc countries, loans to-------------------------------- 439
  Unoccupied tours in---------------------------------------426, 428
North Korea:
  Air defense systems-- 403
  Military advantage of-- 416
  Military might of-- 402
Panama, situation in--- 434
South Korea:
  Air power-- 430
  Civilian support from-- 445
  Defense expenditures--- 433
  Economy of--- 430
  Quality of life considerations--------------------------------- 403
  Readiness of--- 429
  Security issues---393, 440
  U.S. assignments to-- 426
  USS Midway, repairs on--- 425